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DEPARTMENTS OF COMMERCE, JUSTICE, AND
STATE, THE JUDICIARY, AND RELATED
AGENCIES APPROPRIATIONS FOR 1995

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BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF COMMERCE, JUSTICE, AND
STATE, THE JUDICIARY, AND RELATED AGENCIES

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PART 1A

DEPARTMENT OF COMMERCE

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Technology Administration/National Institute of Standards and Technology/National Technical Information Service	241
Economic Development Administration	731
Minority Business Development Agency	905
International Trade Administration	1019
Bureau of Export Administration	1197
U.S. Travel and Tourism Administration	1337

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DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR 1995

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED THIRD CONGRESS SECOND SESSION

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**DEPARTMENTS OF COMMERCE, JUSTICE, AND
STATE, THE JUDICIARY, AND RELATED
AGENCIES APPROPRIATIONS FOR 1995**

THURSDAY, MARCH 10, 1994.

SECRETARY OF COMMERCE

WITNESSES

HON. RONALD H. BROWN, SECRETARY, U.S. DEPARTMENT OF COMMERCE

THOMAS R. BLOOM, CHIEF FINANCIAL OFFICER/ASSISTANT SECRETARY FOR ADMINISTRATION

**LORETTA DUNN, ASSISTANT SECRETARY FOR LEGISLATIVE AFFAIRS;
JONATHAN SALLET, ASSISTANT TO THE SECRETARY/DIRECTOR, OFFICE OF POLICY AND STRATEGIC PLANNING**

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MARK E. BROWN, DIRECTOR, OFFICE OF BUDGET

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WILLIAM GINSBERG, ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT

PAUL A. LONDON, DEPUTY UNDER SECRETARY FOR ECONOMIC AFFAIRS

LARRY IRVING, ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION

Mr. SMITH. This morning we begin our hearings on the Department of Commerce.

We are pleased to have the Secretary of Commerce with us this morning. Members will be here shortly, I am sure, but we will go ahead, because I know your time is valuable and we will have a lot of Members wanting to ask some questions.

The budget request this year is for \$4.229 billion, and I am pleased to see that the request includes a substantial emphasis on science and technology and the opportunities to export and to build jobs in this country that pay better than an average wage.

I know there has been some competition within the Administration as to where this kind of emphasis should lay; some would just as soon none of these responsibilities were with the Commerce Department. I think the Commerce Department is a good place for it, myself, and we have to depend heavily upon participation with private industry and university-based research and so forth to accomplish this objective in the best way.

So we are pleased to have you, Mr. Secretary. You may proceed any way you please.

[The Commerce Budget in Brief follows:]

DEPARTMENT OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR 1964

THURSDAY, MARCH 10, 1964

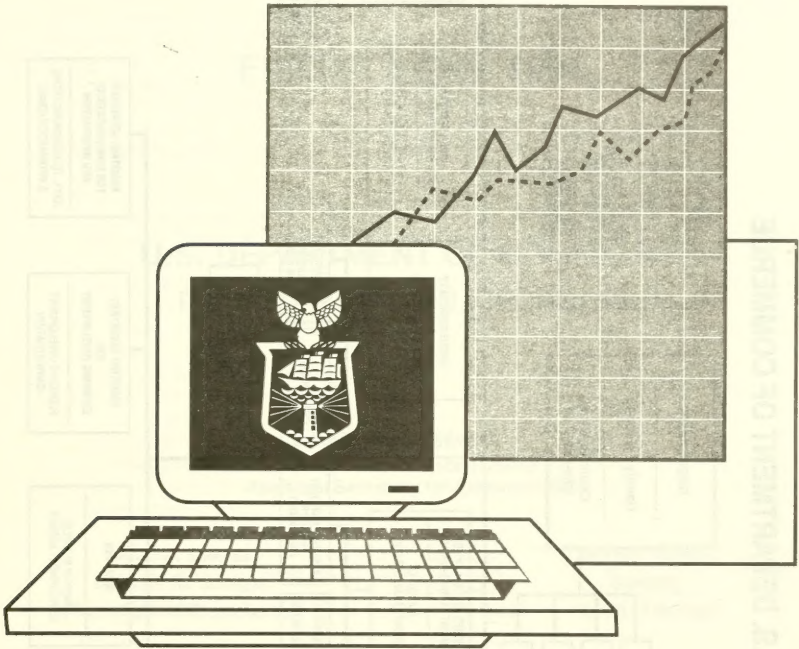
MEMORANDUM FOR THE SECRETARY OF COMMERCE
SUBJECT: DEPARTMENT OF COMMERCE, JUSTICE, AND
STATE, THE JUDICIARY, AND RELATED
AGENCIES APPROPRIATIONS FOR 1964

Mr. Smith: This morning we begin our business on the Department of Commerce. We are pleased to have the Secretary of Commerce with us this morning. Members will be here shortly. I am sure, because we will have ahead, because I know your time is valuable and we will have a lot of Members wanting to ask some questions. I am sure that the request for this year is for \$432.9 billion. The request includes a substantial emphasis on science and technology and the opportunities to export and to build jobs in this country that pay better than an average wage. I know there has been some competition within the Administration as to where this kind of emphasis should lay; some would put as soon none of these responsibilities with the Commerce Department. I think the Commerce Department is a good place for it, and we have to depend heavily upon participation with private industry and university-based research and so forth to accomplish this objective in the best way.

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The Commerce Budget in Brief

FISCAL YEAR 1995



U.S. DEPARTMENT OF COMMERCE
Ronald H. Brown
Secretary

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THE COMMERCE BUDGET IN BRIEF

FISCAL YEAR 1995

U.S. DEPARTMENT OF COMMERCE

RONALD H. BROWN, SECRETARY

Gloria Gutiérrez

**Acting Chief Financial Officer /
Assistant Secretary for Administration**

Alan P. Balutis

**Director for Budget,
Planning and Organization**

Mark E. Brown

**Director
Office of Budget**



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

FOREWORD

In his State of the Union Address, the President pledged to continue our national journey of economic renewal; a journey that will expand opportunity and create jobs for the American people.

In his FY 1995 budget, the President provides the resources necessary for the Department of Commerce to expand the opportunities for economic renewal.

Together, the President's State of the Union Address and FY 1995 budget celebrate -- and make possible -- the renaissance of the Department of Commerce: empowered by Presidential leadership and fueled by growing fiscal resources.

In this Administration, the Department of Commerce has been tasked with critical responsibilities; responsibilities that offer economic renewal of America's businesses, communities and workers.

Consider simply the economic themes articulated by the President in the State of the Union Address: the importance of our National Export Strategy; the need for continued investment in civilian technology, including the growing world markets for environmental technologies; the role of the National Information Infrastructure in enriching the lives of Americans; the future of environmentally sustainable economic growth; and the work of economic transition and reinvestment illustrated by defense conversion.

Each of these themes, and more, are supported by the President's FY 1995 budget. Each of these themes, and more, find a home within the Department of Commerce.

The two budgets submitted by President Clinton during his first year in office call for growth of 34% in the Department's budget from FY 1993 to FY 1995 -- and we are more than halfway to the mark. In FY 1994, strong congressional support enabled the Department of Commerce to receive more funding than the President had even requested -- largely because of increased support for defense conversion activities.

The issuance of the President's FY 1995 budget supports the continuation of the President's investment agenda. The President's budget requests an 18% increase for the Department from FY 1994 to FY 1995 -- at a time when overall Federal discretionary spending is being held flat. This increase is a vote of confidence in the Department of Commerce -- and recognition of the central role that the Department will play in pursuing the economic themes voiced in the President's State of the Union Address.

The Department of Commerce's FY 1995 budget focuses on five cross-cutting themes -- civilian technology, export growth, economic development, environmental stewardship and assessment, and economic information infrastructure. These themes work in harmony -- defining the critical role that this new, and renewed, Department of Commerce will play in helping America's businesses, communities and workers make the journey of economic renewal.

Civilian Technology:

Historically, the United States government's technology policy has focused on the military, civilian research, or mission-oriented efforts. But, as the President's technology policy states, earlier efforts "are no longer adequate. The Nation urgently needs improved strategies for government/industry cooperation in the support of industrial technology".

Our FY 1995 budget meets that challenge. Continued growth in our Advanced Technology Program and grants supporting the National Information Infrastructure leverage Federal dollars, build upon industry's commitment to the advancement of civilian technology and support important commercial and social needs. Expansion of our Manufacturing Extension Partnership Program will help to fulfill the President's commitment to build a nationwide network of manufacturing centers.

Export Growth:

The recent report of the Trade Promotion Coordinating Committee (TPCC) launched the Administration's National Export Strategy, a key part of which is the creation of "a unified budget for export promotion in FY 1995". As part of the report, the TPCC, for the first time, conducted a comprehensive inventory of all Federal export promotion programs so that the unified budget process will allow the government to "allocate its resources strategically . . . to activities that will return the greatest benefit to the U.S. economy". The report concludes that exports of U.S. goods and services can reach \$1 trillion by the beginning of the next decade and can produce over six million new jobs.

The Department proposes initiatives that seek to promote U.S. exports in markets with the highest potential for growth, such as Asia and Latin American and in important growing sectors, such as environmental technologies with an estimated market share of \$200 - \$300 billion. In FY 1995, we will continue implementing the recommendations of the TPCC. These include one-stop shops and enlarging the overseas global network, which will improve the focus and coordination of Federal export promotion programs and maximize our abilities to assist small and medium-size exporters.

In 1994, we will enact the first post-Cold War export regime. Those changes necessitate new responsibilities for the Bureau of Export Administration. We must maintain an export control system that meets the needs of our changing world -- facilitating trade while at the same time safeguarding national security.

Economic Development:

As the President has explained, the Nation must make change our ally. But change, in the short-term, can have severe economic ramifications. Our continuing efforts to reinvigorate both the Economic Development Administration (EDA) and the Minority Business Development Agency (MBDA) are crucial to the Federal government's ability to offer meaningful economic assistance.

We propose a comprehensive set of programs within EDA to address the needs of defense-impacted communities and communities suffering from economic dislocation. We request additional funding for MBDA to provide minority businesses a full opportunity to participate in the recovery that the Administration's economic plan will achieve.

Environmental Stewardship and Assessment:

The Administration has committed to an environmental strategy that promotes sustainable development and rejects the false choice between environmental goals and economic growth. The Department of Commerce, through the National Oceanic and Atmospheric Administration (NOAA), has a unique role in promoting stewardship of the global environment through effective management of the Nation's marine and coastal resources and in monitoring and predicting changes in the Earth's Environment, thus linking trade, development and technology with environmental issues.

We propose a comprehensive initiative to build our Nation's valuable fisheries to sustainable levels; an effort that is estimated to create 300,000 jobs and to generate an \$8 billion increase to our Gross Domestic Product annually by the end of the decade. We also propose to increase participation in the cross-cutting programs in High Performance Computing and Communication and U.S. Global Change Research to address the grand challenges of weather and climate prediction.

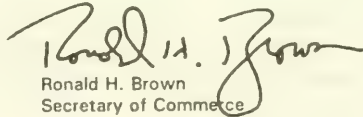
Economic Information Infrastructure Initiative (EI3):

Political and economic decision-making are dependent on the quality of economic information. But, as Fortune magazine has noted "America's system for gathering and interpreting economic statistics has fallen into disrepair. The resulting mis-measurements make it harder than ever to understand what is happening to the economy both in the short-run and over the long haul".

The Department's Economic Information Infrastructure Initiative (EI3) addresses that concern. EI3, implemented through the Bureau of the Census and the Economic and Statistics Administration, will (i) use the planning cycle for the 2000 Decennial census as a vehicle for fundamental change, (ii) improve the quality of the existing economic statistical program, and (iii) upgrade and expand the use of technology in order to pursue long-term goals regarding information, production, and dissemination.

.....

The President's FY 1995 budget will sustain these themes and permit them to flourish. Their success will be reflected, not just in the work of the Department of Commerce, but in the success of the President's economic agenda and in the economic growth and renewal of the Nation as a whole.


 Ronald H. Brown
 Secretary of Commerce

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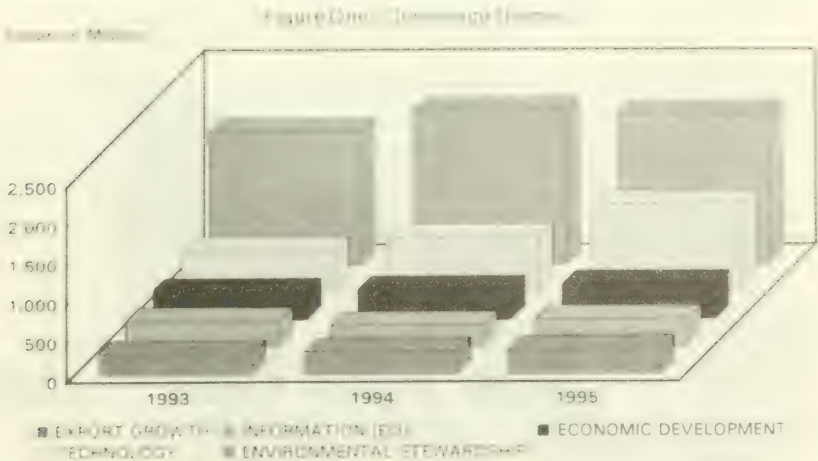
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INTRODUCTION

The U.S. Department of Commerce was established on March 4, 1913 (37 Stat. 7365; 15 U.S.C. 1501). Previously, labor and commerce activities were performed by the Department of Commerce and Labor established by Congress on February 14, 1903.

The FY 1995 budget request for the Department of Commerce is \$4.229 billion, an increase of \$654 million, or 18.3%, from the FY 1994 appropriation level of \$3.575 billion. Full-Time Equivalent (FTE) employment in 1995 for the Department will be 35,754, 51 less than FY 1994.

In carrying forward the Administration's programs, Commerce is focusing on five key cross-cutting programmatic areas. These areas -- Civilian Technology, Export Growth, Environmental Stewardship and Assessment, Economic Development, and Economic Information Infrastructure Initiatives (or EI3) -- represent the crucial Commerce missions. We believe that this thematic approach portrays more accurately the interlocked Commerce priorities that fully support the President's investment goals. Figure One displays a budget comparison of these themes for FY 1993 -- 1995.



Excludes PTO fee collections

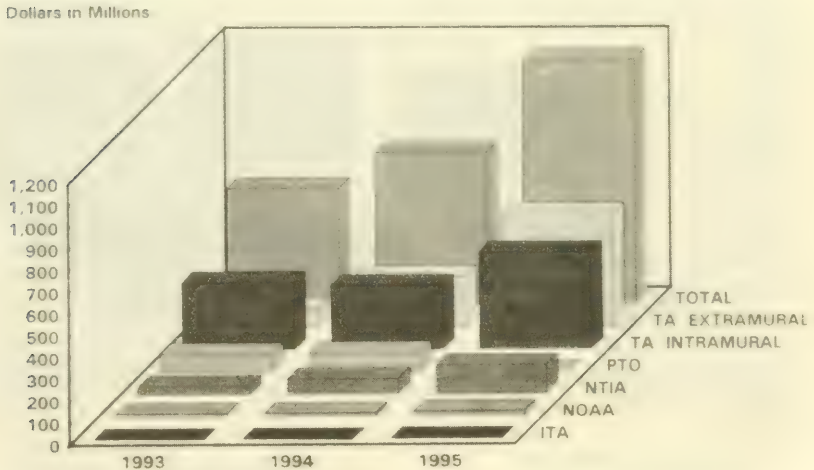
The FY 1995 budget proposal includes a number of savings initiatives which will help offset some of the increases being requested. Most significant among these savings will be \$32.3 million from reducing staffing levels and administrative costs of the Commerce Department. These savings represent the Department's portion of the reductions being taken by the Administration to reduce the cost and size of the Federal Government. We will save \$19.7 million in Full-Time Equivalent reductions and \$12.6 million in administrative costs.

Civilian Technology

For FY 1995, the Department of Commerce proposes a total budget of \$1.1 billion for its civilian technology programs, representing a \$401 million increase over current levels. Figure Two displays a breakout of the Civilian Technology theme according to bureau.

The Department has a lead role in implementing President Clinton's pledge to move American technology in a "new direction to build economic strength and spur economic growth." (Technology for America's Economic Growth, A New Direction to Build Economic Strength, February 1993). The President has pledged to boost civilian research and development (R & D) expenditures to more than fifty percent of the Federal Government's total R & D spending.

Figure Two: Technology Programs



Excludes PTO fee collections

To support this pledge, the President has called for substantial funding increases for the Commerce Department's civilian technology programs as a cornerstone of his plan to create jobs, improve our quality of life, and increase the economic strength of our Nation. Commerce is the only Federal department with the direct mission to improve U.S. industrial competitiveness.

As part of the Administration's technology initiative, the Department has formed the "Tech Team" composed of the Secretary, Deputy Secretary, and principals from the Technology Administration, the National Telecommunications and Information Administration, the National Oceanic and Atmospheric Administration, and the Patent and Trademark Office. In the Commerce Advanced Civilian Technology Strategy (November 1993), we proposed to focus on:

- o Developing advanced technologies in partnership with the private sector;
- o Focussing on rapid commercialization and deployment of new technologies;
- o Building a 21st century telecommunications infrastructure; and,
- o Providing leadership in both government and the private sector.

The following Commerce programs support the President's commitment to strengthening the Nation's economic position by investing in civilian technology:

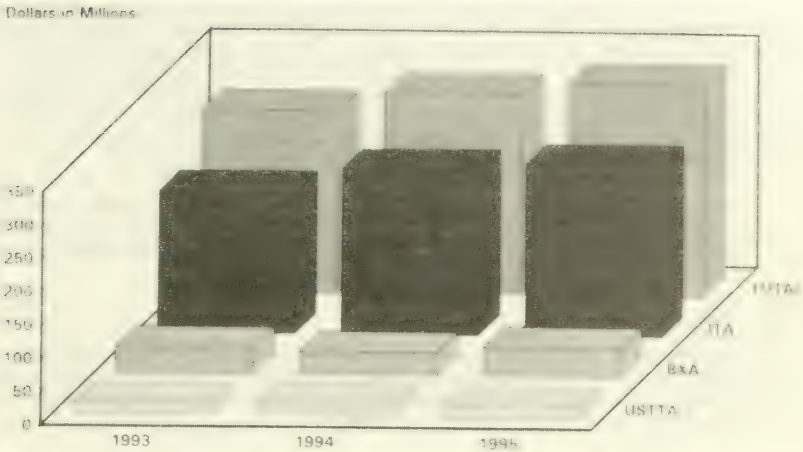
- o The Technology Administration (TA) is led by the Office of the Under Secretary. TA has been assigned a leadership role for the U.S. government in the President's technology strategy and proposes a comprehensive program through its three organizational units: the Office of Technology Policy (OTP), the National Institute of Standards and Technology (NIST), and the National Technical Information Service (NTIS).
- o NIST requests \$935 million, an increase of \$415 million over current levels, to carry out its unique mission to promote U.S. economic growth by working with industry to develop and apply technology measurements and standards. NIST will: stimulate the development of new high-risk technologies with substantial commercial potential through the Advanced Technology Program; lead the Administration's efforts to establish a nationwide network of manufacturing extension centers which help small and medium-sized companies; expand a laboratory effort planned and implemented with industry and focused on infrastructure technologies such as measurements, standards, data, and test methods; and complete the upgrade and renovation of NIST facilities.
- o A one-time \$18 million increase will facilitate implementation of the American Technology Preeminence Act of 1992 (P.L. 102-245). Commerce will facilitate public access through depository libraries, assist agencies in complying with the requirement of timely transfer of Federally produced or financed technical information and improve information management and dissemination capabilities.
- o The Office of the Under Secretary and Office of Technology Policy (US/OTP) requests \$11.3 million, an increase of \$5.5 million over current levels, to help the Commerce

Department exercise its leadership role in civilian technology. The Office of Technology Policy will set policies designed to promote the most rapid advancement of emerging technologies and strengthen the manufacturing base -- a necessary step in re-asserting U.S. technological leadership in the increasingly competitive world economy.

- o The National Telecommunications and Information Administration (NTIA) requests \$134 million, an increase of \$63 million over current levels, to award grants and conduct leading edge telecommunications science to foster development of a National Information Infrastructure (NII). NTIA will also work to expedite the upcoming spectrum auction expected to enhance spectrum use and help reduce the deficit.
- o The International Trade Administration (ITA) requests \$4.1 million to promote exports of environmental technology products and services. ITA will work with NOAA and NIST to advance the U.S. share of the global environmental technology market.
- o The National Oceanic and Atmospheric Administration (NOAA) requests \$15.5 million, an increase of \$14.4 million over base, to address weather and climate modeling through the use of the most advanced supercomputers. NOAA also requests \$14.5 million to participate in an intra-department initiative with NIST and ITA to promote environmental technologies.
- o The Patent and Trademark Office (PTO) requests \$571.4 million (entirely funded by user fees) to administer the laws relating to patents and trademarks in order to promote industrial and technological progress in the United States and strengthen the national economy. The PTO also develops and advises the Secretary and the Administration on intellectual property policy, including copyright matters. In cooperation with ITA, the PTO advises the Secretary and other agencies of the U.S. Government, such as the United State Trade Representative, on trade-related aspects of intellectual property. In FY 1995, all PTO fees will be treated as offsetting collections. Appropriations from the Special Fee Surcharge Fund will not be required.

Export Growth

Exports create millions of jobs for American workers and have become the primary "engine of growth" for the economy. The President and the Secretary of Commerce are committed to improving America's export performance, and a critical component of the Administration's effort is to improve the Federal government's export promotion programs. Figure Three displays a breakout of the Export Growth theme according to bureau.

Figure Three: Export Growth Programs

The Trade Promotion Coordinating Committee (TPCC), a nineteen agency working group chaired by the Secretary of Commerce, made specific recommendations for revamping the Government's promotion efforts. The TPCC recommendations form an integral part of the Administration's economic development strategy over the next few years. A key element of the recommendations is that the U.S. Government get the "biggest bang for the buck" from its total export promotion budget. To carry out this task, the Department developed the following goals:

o **Enhance Our Global Network**

To enhance the Department's network of trade specialists, we are requesting an increase of \$12.8 million for the International Trade Administration (ITA). The specific initiatives within this increase include: expanding opportunities for U.S. exporters in critical growth markets; increasing U.S. businesses' awareness of sources of, and access to, trade finance; and, increasing exports of U.S. firms making the transition from defense production to commercial marketing. In addition, ITA will participate in the newly established U.S. Export Assistance Centers ("one-stop" shops), in cooperation with the Small Business Administration and the Export-Import Bank, providing trade finance information and counseling.

o **Facilitate Trade**

For the first time in a post cold war, post CoCom world, the Export Authorization Act will be reauthorized in 1994 and requires new responsibilities for BXA. To maintain a post cold-war export control system that facilitates trade while safeguarding national security, we are requesting an increase of \$7.7 million for the Bureau of Export Administration (BXA). This request is part of a government-wide effort to reform the Federal export control system as recommended by the National Performance Review and the TPCC. Special attention will be given to streamlining the export licensing process and liberalizing export controls.

BXA also has an important role in providing export control technical assistance and support for foreign defense conversion in the Newly Independent States (NIS). These initiatives will not only help combat proliferation, but are also preconditions to expanded high technology trade with, and investment in these countries.

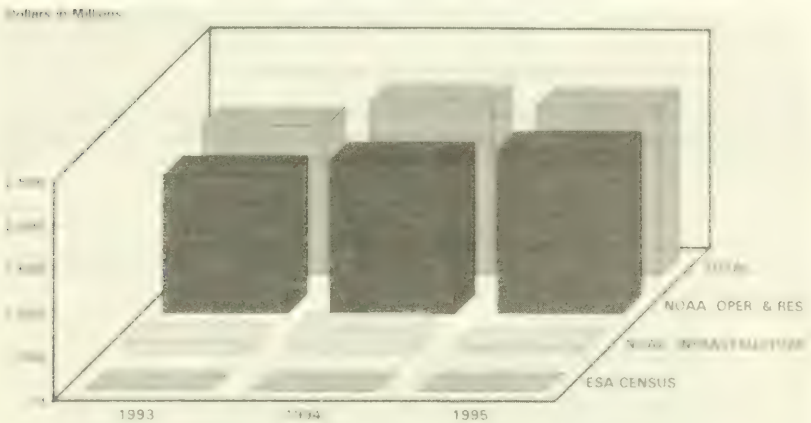
o **Expanding Tourism Markets**

To continue to support tourism market development programs, we are requesting \$17.9 million for USTTA. USTTA addresses the interests of the collective U.S. tourism industry, including small business and distressed communities, and provides the cohesiveness necessary in the international tourism market.

Environmental Stewardship and Assessment

The Department of Commerce has a unique role in promoting stewardship of the global environment through effective management of the Nation's marine and coastal resources, in monitoring and predicting short and long-term changes in the Earth's environment, linking trade, development and technology with environmental issues, and in estimating how the many activities directed at improving the environment affect the performance of the U.S. economy. For FY 1995, DOC proposes a total of \$1.9 billion for its environmental programs, representing a \$37.6 million decrease from current levels. This is due primarily to reduced funding requirements of the National Weather Service (NWS) as the Next Generation Weather Radar (NEXRAD), Automated Surface Observing Systems (ASOS) and Weather Forecast Office (WFO) construction programs begin to wind down. This decrease is largely a result of changed funding levels in non-recurring programs. Figure Four presents a breakout of the Environmental Stewardship theme.

The National Oceanic and Atmospheric Administration (NOAA) has the primary Federal responsibility for providing the sound scientific observations, assessments and forecasts of environmental phenomena on which resource management and other societal decisions can be made. The Economics and Statistics Administration (ESA) has the primary responsibility for providing information about the economy.

Figure Four: Environmental Stewardship and Assessment Programs

Decisionmakers involved in environmental issues require both environmental and economic information to form rational decisions. NOAA and ESA programs provide that vital information.

As part of its FY 1995 budget request, Commerce proposes a four-point program to accomplish this combined mission. These programs center around the following themes:

- o **Environmental Stewardship (NOAA):**

NOAA requests \$623 million, an increase of \$52.2 million over current levels for environmental stewardship requirements. As Federal trustee for marine resources and their habitats, NOAA proposes an investment strategy designed to build sustainable fisheries by implementing ambitious management plans, increase the populations of protected marine species by implementing recovery plans that take a proactive approach to preventing depleted status designation for species, promote coastal ecosystems health through integrated ecosystem management that provides better information for decision-makers, and modernize navigation and positioning services by electronically integrating accurate chart data, satellite-based locations, and real-time environmental information.

In FY 1995, Commerce also proposes to collect \$88.0 million in additional fees associated with NOAA programs. These fees are designed to recover portions of the direct and indirect costs associated with administering NOAA's living marine resources, marine sanctuary and aeronautical charting programs. The funds collected will be used to offset discretionary spending within NOAA.

o **Environmental Assessment and Prediction (NOAA):**

NOAA requests \$1,251 million, an increase of \$78.2 million over current levels for assessment and prediction requirements. A key Federal role played by NOAA is to provide short-term warning and forecast products and services, produce forecasts of climate variability, and provide science-based advice to policy makers on critical environmental issues. NOAA proposes to advance short-term warning and forecast services for the Nation by completing the modernization of weather services. NOAA will also implement reliable seasonal to interannual climate forecasts by developing a national climate prediction center, and carrying out process research designed to model the global ocean-atmosphere-land system for better prediction of rainfall. NOAA will expand research efforts that will lead to improved predictions and assessments on decadal-to-centennial time scales.

o **Infrastructure Requirements (NOAA):**

NOAA requests \$59.2 million, a decrease of \$170.5 million over current levels for infrastructure requirements. To implement NOAA's programs efficiently and effectively, an investment in the current support infrastructure is required. NOAA has developed and is currently implementing a Fleet Replacement and Modernization (FRAM) plan, a 15-year capital investment program designed to replace or modernize its aging fleet of research and charting vessels. NOAA is also engaged in a facilities maintenance and construction program designed to provide NOAA personnel with safe, healthy, and energy-efficient facilities while simultaneously meeting Federal environmental compliance statutes.

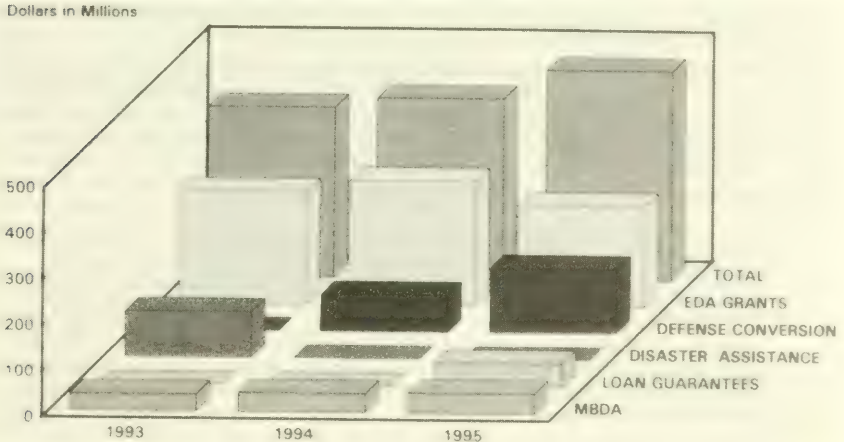
o **Economic Statistics for Environmental Stewardship (ESA):**

ESA requests \$3.8 million, an increase of \$2.5 million over current levels for environmental statistics. As part of Commerce's role as the producer of key economic and demographic statistics for this country, ESA proposes to improve statistics on the economy and the environment and introduce Green Gross Domestic Product (GDP). The Bureau of Economic Analysis will incorporate the consumption of natural resources inputs into the economy, and value the resulting loss of environmental quality in a satellite account accompanying the presentation of GDP. Census will expand the collection of data regarding pollution abatement costs and techniques to support this effort.

Economic Development

The President's economic plan changes the direction of economic policy by bringing the deficit down over the next five years and shifting the mix of Federal activities toward investment in a more productive economy. To accomplish this mission, the Department of Commerce is taking action to rebuild the Economic Development Administration (EDA) and to reinvigorate the Minority Business Development Agency (MBDA). The total FY 1995 request for the Department for this combined effort by EDA and MBDA is \$456 million, a \$64 million increase over FY 1994 appropriations. Figure Five displays a breakout of this theme, showing MBDA and the relevant activities of EDA.

Figure Five: Economic Development Programs



EDA and MBDA programs will be targeted toward the creation of new businesses, industries and jobs in urban and rural communities, especially areas adversely impacted by shifts in Federal policies, such as Department of Defense (DOD) and Department of Energy (DOE) impacted areas, and natural disasters.

The FY 1995 request was developed with an eye toward achieving these goals. The Economic Development initiative enables the Department to:

o **Provide Defense Reinvestment:**

The Department is requesting a total of \$140 million for EDA to assist communities impacted by cutbacks in DOD procurements and base closures and DOE realignment and closures. The resources will allow the Department to provide economic adjustment assistance to communities and businesses transitioning to peacetime economies. EDA has \$80 million available for this program in FY 1994. DOD transfers to the Department in FY 1992 and 1993 totalled \$130 million.

o **Strengthen EDA's Infrastructure:**

The Department of Commerce is also requesting \$4.1 million to fund permanently an Office of Economic Conversion Information, strengthen grants administration, enhance management information systems, and increase EDA's policy analysis and performance measurement capabilities.

The Office of Economic Conversion Information serves as the primary clearinghouse for Federal, state and local economic adjustment assistance programs. It was established in FY 1994, supported by both DOD and DOC funds. In FY 1995, we are requesting that funds be provided again from DOD and additional funds be provided to EDA to expand the program to address economic adjustment issues.

o **Provide Economic Development Loan Guarantees:**

In an effort to fill a financing gap in Federal credit programs and leverage Federal dollars, EDA proposes to establish a business development loan guarantee program. The program will guarantee loans made to private borrowers by private lending institutions, State and local agencies established to extend credit, and community development financial institutions. Activities for which loans may be guaranteed consist of the development of land and facilities (including machinery and equipment) for industrial or commercial usage. In FY 1995, we are requesting \$50 million in budget authority to support a program of \$269 million. An additional \$2 million, including existing resources, will be required to administer the program.

o **Foster Economic/Minority Business Development:**

MBDA will expand enterprise and capital development programs in support of the Administration's effort to promote minority business development. The total request for MBDA in FY 1995 is \$44.7 million. Included in this request is an increase of \$2.2 million to fund an additional Minority Enterprise Growth Assistance (MEGA) Center and improve minority access to capital and Federal procurement activities.

Economic Information Infrastructure Initiative (EI3)

Commerce programs included in this area provide the economic and demographic data required to manage a growing and complex society. Unfortunately, a number of reports in the last decade have raised serious concerns about the quality of our Nation's statistics. The International Monetary Fund speaks of errors and omissions in the international accounts so large that "it has been difficult to ascertain whether individual countries have been debtors or creditors." According to *Fortune* magazine (3/8/93): "It could be the biggest infrastructure problem of all. Once the envy of the world, America's system for gathering and interpreting economic statistics has fallen into disrepair. The resulting mismeasurements make it harder than ever to understand what's happening to the economy both in the short run and over the long haul."

Incomplete source data on employee compensation in the past have resulted in large revisions in wages and salaries in the National Income and Product Accounts (NIPAs), which have in turn necessitated recomputation of the Treasury's projected tax receipts. In the 1990 mid-session review of the budget, OMB revised upward the projected deficit by over \$10 billion as a result of a \$58 billion revision in wages and salaries in the NIPAs.

In 1990, as the U.S. entered what was described by many as a "credit crunch" recession, the errors and omissions in the U.S. balance of payments were so large that it was not possible to determine if, as the capital account indicated, the supply of foreign capital had evaporated or not. The importance of this gap in information in monetary policy is illustrated by the fact that during the latter part of the 1980s, one-fourth of U.S. investment funds came from abroad.

Our data are weakest in precisely those areas where economic change has been most dynamic, such as measuring technological innovation, the service sector, and trade. For example, in 1987, OMB created a Standard Industrial Classification (SIC) code for semiconductors, but it lumps together advanced microprocessors with photovoltaic cells and simple memory chips. Electronic vacuum tubes, meanwhile, get a category of their own.

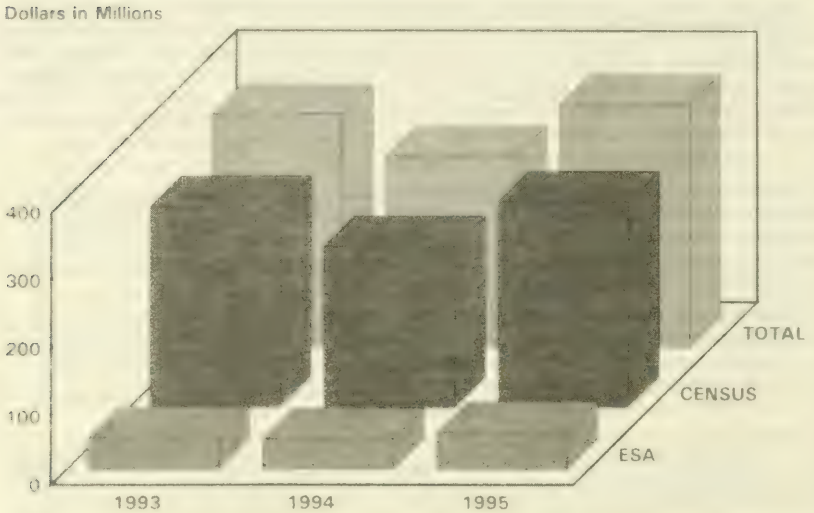
To improve this situation, the Department of Commerce requests a 1995 budget for spending on the Economic Information Infrastructure Initiative which is \$76.4 million greater than FY 1994. The FY 1995 total request for the Initiative is \$358.8 million. This includes a total budget of \$48.6 million for the Decennial Census, as well as an increase of \$19 million to improve economic statistics and the infrastructure of the Bureau of Economic Analysis (BEA) and the Census Bureau.

Figure Six displays a breakout of this theme by bureau.

Three priorities drive the Economic Information Infrastructure Initiative:

- o To use the planning cycle for the 2000 decennial census as a vehicle for fundamental change, Census will: create a process which would lead to a one number Census that is "right the first time"; increase the coverage and reduce the differential undercount; keep total costs for the complete decennial cycle at or below that of the 1990 cycle on a real, per household basis; increase the primary response rate to the Decennial Census to reduce the undercount problem and the cost of correcting it.

Figure Six: Economic Information Infrastructure Initiative Programs



- o Improve the economic data and dissemination infrastructure by strengthening existing economic data collection and analysis to make our current economic statistics more accurate and dependable; launch new initiatives to address new concerns by fully implementing the System of National Accounts and improving information on capital flows and foreign investment; and provide major improvements in dissemination of both Census and Bureau of Economic Analysis data.
- o Create the technological, methodological and data infrastructure needed to collect accurate data at the lowest cost. Census will: restructure the SIC Code; implement Computer Aided Survey Information Collection (CASIC) to re-engineer survey collection and processing; and, modernize computer systems which will allow the use of open systems for the 2000 Decennial. The Bureau of Economic Analysis (BEA) will re-engineer its information system -- moving from a 1970's mainframe data processing environment into a more efficient, integrated, and interactive microcomputer network.

SHARPENING PROGRAM AND MANAGEMENT EFFECTIVENESS

The Department of Commerce continues to stress the importance of management effectiveness and to seek ways of assuring that our programs are providing the best possible level and quality of service to the American people. To that end, we have begun or accelerated a number of Commerce initiatives and have taken an active stance in implementing the Commerce portion of a series of government-wide programs which will improve the performance of our programs. Our work under the most visible of these initiatives -- the Government Performance and Results Act, the National Performance Review, and the Commerce Performance Review -- are discussed here. Further, in the day-to-day managing of the Department and its staff, we are constantly looking for new ways of getting the most out of our talented employees, such as instituting an initiative in cultural diversity for managers and staff. We are also facilitating the establishment of flexible working hours where consistent with program mission requirements.

Implementation of the Government Performance and Results Act

In August 1993, the President signed the Government Performance and Results Act (GPRA), which requires each Federal agency to prepare strategic plans and annual performance plans for its program activities. While the deadlines for submitting these documents are still a few years away, the Department is now beginning to prepare for the requirements of this Act and make Commerce more effective and more accountable to the American people.

In support of the Administration's commitment to provide a results-oriented, customer-focused Government, we will participate actively in the implementation of the GPRA during FY 1994 and beyond. We have recently received approval from the Office of Management and Budget to have two projects in the first round of GPRA pilot tests across the Federal Government. One pilot covers NOAA, and is geared towards the development of performance measures in a number of complex scientific areas. The second pilot covers specific information dissemination programs within Census, NTIS and PTO. In addition, staff of the Department are participating actively in OMB working groups which are designing aspects of GPRA implementation that will apply to all departments in the years ahead.

We view our activities under the GPRA as a continuation of related efforts we have implemented over the years, including the Chief Financial Officers (CFO) Act, the National Performance Review (NPR), and our own version of the NPR, the Commerce Performance Review (CPR). All of these efforts emphasize a Federal Government that is effective, efficient and outcome-oriented.

Commerce and the National Performance Review

The National Performance Review, announced by the President in March 1993, had a clear and specific goal: to create a Government that works better and costs less. Unlike past efforts that relied almost exclusively on participants with limited knowledge of governmental operations, the Vice-President and the National Performance Review teams sought input from a wide range of people: Federal employees and managers, private sector companies which successfully

implemented new operating practices, state and local leaders, and members of academia. A number of Commerce staff participated actively on NPR teams examining other agencies and developed recommendations for those other agencies. In addition, Commerce has worked closely with the NPR teams examining some of the functional activities of the Federal Government (budgeting, financial management, information resources management, and others); and many of our recommendations to those teams have been implemented in the teams' final products.

One of the highlights of our work on the NPR took place when the Vice-President held a "town meeting" in our Departmental headquarters building with Commerce employees, providing additional spark to our support of reinvention efforts.

Since the overall NPR report was issued in September 1993, Commerce has been working hard to implement many of that report's recommendations for improving and/or expanding Commerce programs in the areas of information dissemination, export promotion, economic development, information collection requirements for U.S. business, and others. The Commerce report includes actions to be taken now, by Executive Order of the President or by the Secretary, as well as recommendations for Congressional action. We are also implementing plans to streamline the workforce and to implement the requirements of an Executive Order on customer service standards.

A list of Commerce-specific issues as included in the NPR report appears below:

- o Reinvent Federal Economic and Regional Development Efforts
- o Provide Better Coordination to Refocus and Leverage Federal Export Promotion Efforts
- o Reform the Federal Export Control System
- o Strengthen the Tourism Policy Council
- o Create Public-Private Competition for the NOAA Fleet
- o Improve Marine Fisheries Management by implementing user fees
- o Provide EDA Public Works Loan Guarantees for Infrastructure Assistance
- o Establish a Manufacturing Technology Data Bank
- o Expand Electronic Availability of Census Data
- o Amend the Omnibus Trade and Competitiveness Act to Increase the Data Quality of the National Trade Data Bank
- o Eliminate Legislative Barriers to the Exchange of Business Data Among Federal Statistical Agencies
- o Establish a Single Operational Polar Satellite Program
- o Use Sampling to Minimize Cost of the Decennial Census
- o Build a Business and Economic Information Node for the Information Highway
- o Increase Access to Capital for Minority Businesses

The Commerce Performance Review – Our Approach to Reinventing Government

In support of the President's National Performance Review, the Department of Commerce performed its own assessment of operating procedures, policies, and current issues with an eye towards seeking changes to better conduct business -- the Commerce Performance Review (CPR). The Department must set an example in business-like management of our internal operations. Techniques such as strategic planning, business process reengineering, selective rightsizing, and organizational streamlining are vital to that purpose.

To that end, the Department has taken an ambitious approach towards the Government-wide reinvention effort. When the Vice-President visited our Departmental headquarters for a "town meeting" session, several Commerce employees spoke with him directly about the themes common to both the NPR and the CPR efforts and about their ideas for streamlining operations and improving service delivery. As the overall effort continued during the summer and fall of 1993, Departmental managers, supervisors and employees were enlisted for their support. They responded with nearly 8000 ideas, 50 detailed proposals from cross-cutting teams on trade, economic stimulus, technology, environmental services and research, information and technology, and 100 recommendations from various focus groups held throughout the country.

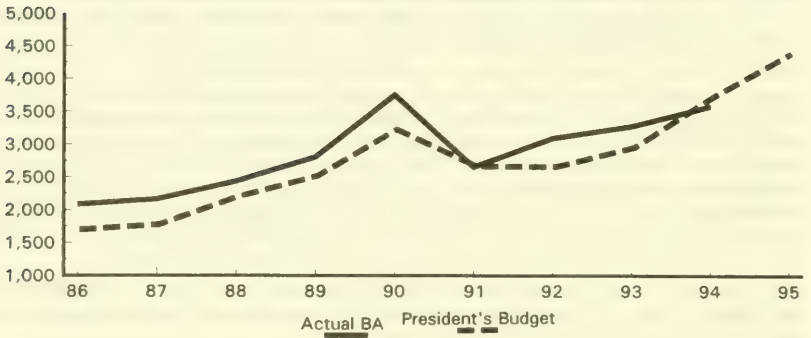
In support of the Vice-President's interest in reinvention, many Commerce bureaus responded to the invitation to conduct "reinvention laboratories." Five labs have been established to experiment with new and innovative means of doing business.

- o Administrative Management of the Boulder Laboratories – A cross-cutting project involving four of the Department's scientific laboratories in Boulder, Colorado.
- o Information Output and U.S. Business – This National Technical Information Service lab will provide a "one-stop" electronic service to assist customers in finding needed information.
- o Reinventing the Bureau of Export Administration – This lab will address the Secretary's interest in restructuring the agency by reducing overhead, developing self-directed work teams, and pursuing bureau-wide quality reform.
- o Flexible Workplace Lab – This Patent and Trademark Office lab will re-engineer work processes and establish an electronic environment to allow employees to work off-site.
- o Computer-Assisted Survey Information Collection – This Census Bureau lab will use computer-assisted techniques to merge data collection and processing activities.

Finally, the Census Bureau is working with other Commerce bureaus to develop a comprehensive customer survey methodology. This initiative is part of our continuing effort not only to reinvent Commerce, but to ensure that we are responsive and effective in exceeding the needs of our many customers throughout the world.

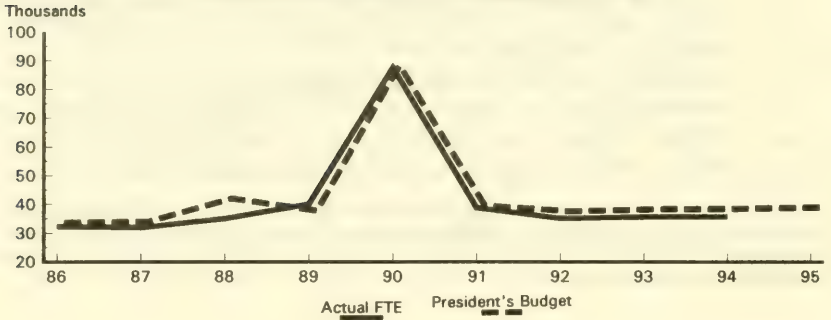
DEPARTMENT OF COMMERCE

Budget Authority
FY 1986 - FY 1995



DEPARTMENT OF COMMERCE

FTE Employment
FY 1986 - FY 1995



DEPARTMENT OF COMMERCE

Change in Appropriations - Percent of Total
1994 vs 1995

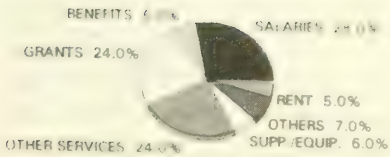


Excludes ICA-Z

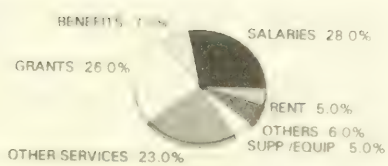
OTC refers to a shift to complete fee funding in 1995

DEPARTMENT OF COMMERCE

Types of Expenditures
1994 vs 1995

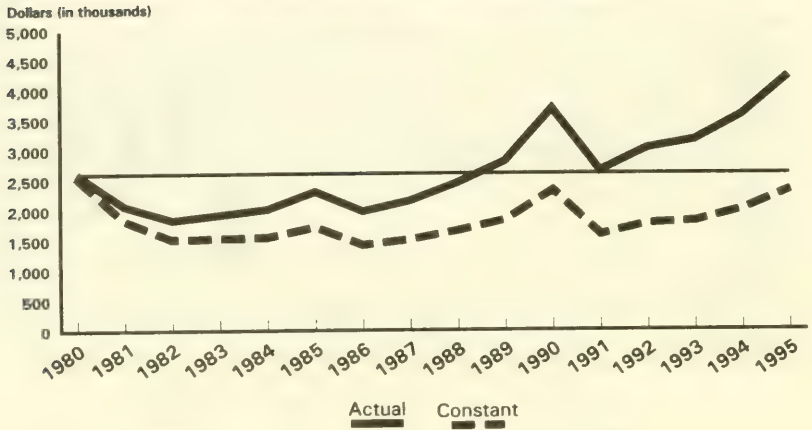


1994



1995

DEPARTMENT OF COMMERCE
Actual vs Constant Dollars
1980 - 1995



COMPARISON OF 1993, 1994, AND 1995 BUDGET AUTHORITY

(Dollar amounts in thousands)

DISCRETIONARY	1993	1994 Enacted	1995 President's Budget		Change 1994 to 1995
			1994	1995	
General Administration	\$48,937	\$49,042	\$49,042	\$53,631	\$4,589
Economic Development Administration	332,823	350,642	350,642	411,647	61,005
Bureau of the Census	297,255	238,286	238,286	306,385	68,099
Economic and Statistical Analysis	46,953	45,220	45,220	56,122	10,902
International Trade Administration	213,851	248,590	248,590	262,468	13,878
Bureau of Export Administration	41,015	34,747	34,747	43,372	8,625
Minority Business Development Agency	37,889	42,100	42,100	44,733	2,633
United States Travel and Tourism Administration	19,208	18,520	18,520	17,930	(590)
National Oceanic and Atmospheric Administration	1,657,975	1,934,689	1,934,689	1,901,992	(32,697)
Patent and Trademark Office	86,672	88,329	88,329	0	(86,329)
Under Secretary / Office of Technology Policy	4,636	5,700	5,700	11,262	5,562
National Technical Information Service	7,800	0	0	18,000	18,000
National Institute of Standards and Technology	380,757	520,210	520,210	935,000	414,790
National Telecommunications and Information Admin	39,747	70,927	70,927	133,957	63,030
SUBTOTAL, FEDERAL FUNDS	3,215,518	3,647,002	3,647,002	4,196,499	549,497
Offsetting receipts	308	(3,000)	(3,000)	(9,000) *	(6,000)
Proposed 1994 Rescissions					
International Trade Administration	0	0	(2,000)	0	2,000
National Oceanic & Atmospheric Administration					
Operations, research and facilities	0	0	(6,000)	0	6,000
Construction	0	0	(4,000)	0	4,000
SUBTOTAL, PROPOSED RESCISSIONS	0	0	(12,000)	0	12,000
SUBTOTAL, DISCRETIONARY	3,215,826	3,644,002	3,632,002	4,187,499	555,497
MANDATORY					
Gifts and Bequests Trust Fund	248	200	200	200	0
National Oceanic & Atmospheric Administration					
Transfer from Agriculture	61,408	61,944	61,944	61,900	(44)
Federal Ship Financing Fund	(1,846)	5,000	5,000	0	(5,000)
SUBTOTAL	59,810	67,144	67,144	62,100	(5,044)
Offsetting receipts	(116,286)	(123,920)	(123,920)	(20,920)	103,000
SUBTOTAL, MANDATORY	(56,476)	(56,776)	(56,776)	41,180	97,856
Proposed for later transmittal					
National Oceanic and Atmospheric Administration					
Operations, research & facilities, Federal funds				(45,500)	(45,500)
Marine Navigation Trust Fund				45,500	45,500
TOTAL, DEPARTMENT OF COMMERCE	3,159,348	3,587,226	3,575,226	4,228,679	653,453

* Does not include \$82 million of proposed receipts to be collected by NOAA which when collected will offset the general fund appropriation.

COMPARISON OF 1993, 1994, AND 1995 OUTLAYS

	1993	1994	1995	Change 1994 to 1995
DISCRETIONARY				
General Administration	\$53 016	\$50 587	\$53 943	\$3 356
Economic Development Administration	156 794	293 169	346 738	53 569
Bureau of the Census	346 420	275 758	290 761	15 003
Economic and Statistical Analysis	46 076	49 734	53 430	3 696
Regional Development Program	(8)	0	0	0
International Trade Administration	223 722	208 314	247 502	39 188
Bureau of Export Administration	39 137	36 688	41 816	5 128
Minority Business Development Agency	42 570	40 940	47 978	7 038
United States Travel and Tourism Administration	16 217	22 559	20 404	(2 155)
National Oceanic and Atmospheric Administration	1 651 450	1 813 021	1 900 209	87 188
Patent and Trademark Office	53 257	169 832	53 870	(115 962)
Under Secretary - Office of Technology Policy	3 440	7 233	8 456	1 223
National Technical Information Service	(30 119)	0	2 700	2 700
National Institute of Standards and Technology	251 908	369 938	526 654	156 716
National Telecommunications and Information Admin	35 126	44 598	68 411	23 813
SUBTOTAL, FEDERAL FUNDS	2 889 006	3 382 371	3 662 872	280 501
Offsetting receipts	308	(3 000)	(5 000)	(6 000)
Proposed 1994 Rescissions				
International Trade Administration	0	(1 410)	(394)	1 016
National Oceanic & Atmospheric Administration				
Operations, research and facilities	0	(3 480)	(1 680)	1 800
Construction	0	(640)	(2 480)	(1 840)
SUBTOTAL, PROPOSED RESCISSIONS	0	(5 530)	(4 554)	976
SUBTOTAL, DISCRETIONARY	2 889 314	3 373 841	3 649 318	275 477
MANDATORY				
General Administration Working Capital Fund	3 560	0	0	0
Gifts and Bequests Trust Fund	301	200	200	0
Economic Development Revolving Fund	(800)	(28 403)	(4 000)	24 403
F S Nat'l Separation Liability Trust Fund	(300)	0	0	0
National Oceanic & Atmospheric Administration				
Promote and Develop	6 283	11 153	8 141	(3 012)
Coastal Zone Management Fund	(7 800)	(7 308)	(7 800)	(492)
Federal Ship Financing Fund	(970)	8 462	0	(8 462)
NTIS - Information Products and Services	24 423	150	0	(150)
SUBTOTAL	24 697	(15 746)	(3 459)	12 287
Offsetting receipts	(116 288)	(123 920)	(20 920)	103 000
SUBTOTAL, MANDATORY	(91 591)	(139 666)	(24 379)	115 287
Proposed for later transmittal				
National Oceanic and Atmospheric Administration				
Operations, research & facilities, Federal funds			(25 480)	(25 480)
Marine Navigation Trust Fund			25 480	25 480
TOTAL, DEPARTMENT OF COMMERCE	2 797 723	3 234 175	3 624 939	390 764

**COMPARISON OF 1993, 1994 AND 1995 TOTAL FULL - TIME EQUIVALENT (WORKYEARS)
FINANCED FROM ALL SOURCES OF FUNDS**

	1993	1994	1995	Change
		Enacted		1994 - 1995
General Administration	1,189	1,264	1,247	(17)
Economic Development Administration	343	355	352	(3)
Bureau of the Census	7,980	8,191	8,014	(177)
Economic and Statistical Analysis	541	560	583	23
International Trade Administration	2,288	2,473	2,452	(21)
Bureau of Export Administration	402	310	353	43
Minority Business Development Agency	175	190	187	(3)
United States Travel and Tourism Administration	88	94	97	3
National Oceanic and Atmospheric Administration	14,309	13,292	13,230	(62)
Patent and Trademark Office	4,969	5,050	5,075	25
Under Secretary / Office of Technology Policy	34	43	60	17
National Technical Information Service	352	381	378	(3)
National Institute of Standards and Technology	3,111	3,285	3,389	104
National Telecommunications and Information Administration	309	317	337	20
TOTAL, DEPARTMENT OF COMMERCE	36,090	35,805	35,754	(51)

**COMPARISON OF 1993, 1994 AND 1995 EMPLOYMENT IN PERMANENT POSITIONS
FINANCED FROM ALL SOURCES OF FUNDS**

	1993	1994	1995	Change
		Enacted		1994 - 1995
General Administration	1,306	1,323	1,311	(12)
Economic Development Administration	375	375	372	(3)
Bureau of the Census	5,871	6,138	5,811	(327)
Economic and Statistical Analysis	660	616	588	70
International Trade Administration	2,459	2,544	2,524	(20)
Bureau of Export Administration	434	310	370	60
Minority Business Development Agency	209	209	206	(3)
United States Travel and Tourism Administration	94	94	97	3
National Oceanic and Atmospheric Administration	14,531	13,806	13,742	(64)
Patent and Trademark Office	5,291	5,314	5,385	71
Under Secretary / Office of Technology Policy	43	43	83	20
National Technical Information Service	360	458	458	0
National Institute of Standards and Technology	2,938	3,109	3,283	158
National Telecommunications and Information Administration	280	316	336	20
TOTAL, DEPARTMENT OF COMMERCE	34,849	34,655	34,626	(29)

GENERAL ADMINISTRATION

Salaries and expenses provides funding for the Secretary, Deputy Secretary and support staff. Responsibilities involve policy development and implementation affecting U.S. and international activities as well as establishing internal goals and objectives for the operation of the Department. The functions include primary liaison with executive branch, Congressional and private sector groups and acting as the management and administrative control point for the Department.

The Office of Inspector General conducts audits, inspections and investigations to combat mismanagement, fraud, waste and abuse of Departmental resources, and to improve the efficiency and effectiveness of Commerce programs.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	<u>1993</u>	<u>1994</u>	<u>1995 Estimate</u>	<u>Increase (Decrease)</u>
FEDERAL FUNDS:				
<u>Appropriation:</u>				
Salaries and expenses	\$31,712	\$33,042	\$36,727	\$3,685
Inspector General	<u>15,805</u>	<u>16,000</u>	<u>16,904</u>	<u>904</u>
TOTAL APPROPRIATION	47,517	49,042	53,631	4,589
<u>Transfer Pursuant to P.L. 102 - 395</u>				
Salaries and expenses	<u>1,420</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL BUDGET AUTHORITY	48,937	49,042	53,631	4,589
<u>PERMANENT POSITIONS</u>				
<u>Appropriation:</u>				
Salaries and Expenses	340	368	370	2
Inspector General	<u>214</u>	<u>214</u>	<u>214</u>	<u>0</u>
TOTAL:	554	582	584	2

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	<u>Permanent Positions</u>	<u>Amount</u>	<u>Permanent Positions</u>	<u>Amount</u>
<u>Salaries and Expenses</u>				
Administrative Savings	370	\$37,210	0	(\$150)

Reduction mandated by Executive Order 12837, "Deficit Control and Productivity Improvement in the Administration of the Federal Government", dated February 10, 1993.

Full Time Equivalent Savings	370	37,210	0	(333)
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Savings mandated by Executive Order 12839, "Reduction of 100,000 Federal positions", dated February 10, 1993.

Inspector General

Administrative Savings	214	17,113	0	(21)
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Reduction mandated by Executive Order 12837, "Deficit Control and Productivity Improvement in the Administration of the Federal Government", dated February 10, 1993.

FTE Savings	214	17,113	0	(188)
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Savings mandated by Executive Order 12839, "Reduction of 100,000 Federal positions", dated February 10, 1993.

Comparison of Appropriation by Activity

	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate			
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
GENERAL ADMINISTRATION								
<u>Salaries and expenses</u>								
DIRECT OBLIGATIONS:								
Executive Direction	111	\$11,701	111	\$12,913	111	\$12,725	0	(\$ 188)
Departmental Staff Services	257	21,341	259	24,297	259	24,002	0	(295)
TOTAL DIRECT OBLIGATIONS	368	33,042	370	37,210	370	36,727	0	(483)
REMBURSABLE OBLIGATIONS:								
	26	46,155	26	48,000	26	48,000	0	0
TOTAL OBLIGATIONS	394	79,197	396	85,210	396	84,727	0	(483)
FINANCING:								
Offsetting collections from								
Federal funds	(26)	(46,155)			(26)	(48,000)		
Subtotal, financing	(26)	(46,155)			(26)	(48,000)		
TOTAL BUDGET AUTHORITY	368	33,042			370	36,727		
TOTAL APPROPRIATION:	368	33,042			370	36,727		

Summary of Changes from 1994 Appropriation

GENERAL ADMINISTRATION	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Salaries and expenses</u>				
Appropriation, 1994			368	\$33,042
<u>ADJUSTMENTS TO BASE</u>				
<u>ADJUSTMENTS</u>				
Continuation of 1994 operating level	0	\$2,172		
Subtotal, adjustments			0	2,172
<u>OTHER CHANGES</u>				
1994 Locality pay raise		\$829		
1995 Pay raise		287		
Within-grade step increases		242		
Change in compensable days		(76)		
Civil Service Retirement System (CSRS)		(50)		
Federal Employees Retirement System (FERS)		92		
Thrift Savings Plan (TSP)		60		
Federal Insurance Contributions Act (FICA)		28		
Health insurance		53		
Employees' Compensation Fund		43		
Rent payments to GSA		137		
Printing and reproduction		36		
Other Services (WCF)		157		
Audit Costs	2	129		
Supplies and materials		9		
Equipment		20		
Subtotal, other changes			2	1,996
TOTAL, ADJUSTMENTS TO BASE			2	4,168
1995 base			370	37,210
Administrative Savings			0	(150)
FTE Reductions			0	(333)
TOTAL REQUIREMENTS			370	36,727
1995 APPROPRIATION			370	36,727

Comparison of Appropriation by Activity

	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate			
GENERAL ADMINISTRATION	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Office of the Inspector General</u>								
<u>DIRECT OBLIGATIONS</u>								
Inspector General	214	\$16,000	214	\$17,113	214	\$16,904	0	(\$209)
TOTAL DIRECT OBLIGATIONS	214	16,000	214	17,113	214	16,904	0	(209)
REIMBURSABLE OBLIGATIONS	0	2,992	0	3,079	0	3,079	0	0
TOTAL OBLIGATIONS	214	18,992	214	20,192	214	19,983	0	(209)
<u>FINANCING</u>								
Offsetting collections from								
Federal funds	0	(2,992)			0	(3,079)		
Subtotal, financing	0	(2,992)			0	(3,079)		
TOTAL BUDGET AUTHORITY	214	16,000			214	16,904		
TOTAL APPROPRIATION	214	16,000			214	16,904		

Summary of Changes from 1994 Appropriation

GENERAL ADMINISTRATION	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Office of the Inspector General				
Appropriation, 1994			214	\$16,000
ADJUSTMENTS TO BASE				
Restoration of FY 1994 Base	0	\$350		
Subtotal, Adjustments			0	350
OTHER CHANGES:				
1994 Locality pay raise		452		
1995 Pay raise		152		
Within-grade step increases		183		
Changes in compensable days		(45)		
Administratively uncontrollable overtime		41		
Civil Service Retirement System (CSRS)		7		
Federal Employees Retirement System (FERS)		(6)		
Thrift Savings Plan (TSP)		35		
Federal Insurance Contributions Act (FICA)		(10)		
Health insurance		38		
Employees' Compensation Fund		(153)		
Rental payments to GSA		47		
Printing and reproduction		1		
Other services (WCF)		21		
Supplies and materials		2		
Equipment		1		
Subtotal, other changes			0	763
TOTAL, ADJUSTMENTS TO BASE			0	1,113
1995 base			214	17,113
Administrative Savings			0	(21)
FTE Reductions			0	(188)
TOTAL REQUIREMENTS			214	16,904
1995 APPROPRIATION			214	16,904

ECONOMIC DEVELOPMENT ADMINISTRATION

The Economic Development Administration (EDA) provides grants for public works and development facilities, planning and coordination, defense conversion, and other financial assistance that will help reduce substantial and persistent unemployment in economically distressed areas. EDA objectives are accomplished through several programs:

Public works and development facilities grants provide for infrastructure projects that foster the establishment or expansion of industrial and commercial businesses providing the opportunity for, or retention of, long-term employment. In addition, these grants promote short-term job creation in communities with highly depressed economies.

Planning grants encourage and support local development organizations with the mission of empowering states and communities to design and implement effective economic development policies and programs.

Technical assistance grants provide for local feasibility and industry studies, management and operational assistance, natural resource development and export promotion. At the national level, funds will provide for studies of topical issues such as technology transfer and business financing. In addition, EDA funds a network of University Centers that provides technical assistance

Research, evaluation and demonstration funds are used to support studies of national and regional economic and industrial trends that will increase knowledge about the causes of economic distress and approaches to alleviating such problems.

Economic adjustment grants provide a package of assistance tools to help communities counteract either a gradual erosion or sudden dislocation of their local economic structure.

The Trade Adjustment Assistance Program, which provides technical assistance to certain firms injured by imports, is proposed for termination in FY 1995. In place of this specialized program, the Department of Commerce provides assistance to such firms through existing Commerce programs such as EDA's University Centers, the NIST Manufacturing Technology Centers and MBDA's Minority Business Development Centers.

Defense Conversion funding will assist communities in the readjustment to Department of Defense (DOD) base closures and procurement cutbacks by making available development tools that can be effectively and easily directed towards both communities adversely affected by base closures and defense-contractor drawdowns. Similar assistance is also provided to communities adversely impacted by Department of Energy (DOE) realignments.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase (Decrease)
<u>FEDERAL FUNDS:</u>				
<u>Appropriation:</u>				
Salaries and expenses	\$27,118	\$28,000	\$32,647	\$4,647
Economic development assistance programs (EDAP)	217,000	322,642	327,024	4,382
Economic development guaranteed loans	0	0	51,976	51,976
Mid-West Flood supplemental	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL APPROPRIATION	344,118	350,642	411,647	61,005
Transfer Pursuant to P.L. 102-395	<u>(11,295)</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL BUDGET AUTHORITY	332,823	350,642	411,647	61,005

PERMANENT POSITIONS

	1993	1994	1995 Estimate	Increase (Decrease)
<u>Appropriation:</u>				
Salaries and expenses	375	375	358	(17)
Economic development assistance programs (EDAP)	0	0	0	0
Economic development guaranteed loans	<u>0</u>	<u>0</u>	<u>14</u>	<u>14</u>
TOTAL:	375	375	372	(3)

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	<u>Permanent Positions</u>	<u>Amount</u>	<u>Permanent Positions</u>	<u>Amount</u>
<u>Salaries and expenses</u>	362	\$28,564	(4)	\$4,083

An increase is requested to streamline grants administration, increase budget, program and evaluation efforts, and upgrade management information systems (0 pos.; +\$2,151). A decrease is requested for FTE reductions and administrative savings (-5 pos., -\$378). An increase is requested to permanently fund the Office of Economic Conversion Information (11 pos., +\$2,310). Position decreases in other areas will offset the increase (-10 pos.).

<u>Economic development assistance programs</u>	0	323,240	0	3,784
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The Administration proposes to terminate the Trade Adjustment Assistance Centers in FY 1995 (0 pos.; -\$10,000). Continued assistance to impacted firms will be available through other Commerce programs such as EDA's University Center Program, MBDA's Minority Business Development Centers, NIST's Manufacturing Technology Center Program and ITA's district offices.

Grant decreases are requested to conform to the President's FY 1994 request. The Administration, instead, proposes to provide additional financial assistance in the form of loan guarantees to leverage resources directly with private business. Proposed decreases are: Public Works (0 pos., -\$29,076), Planning (0 pos., -\$566), and Economic Adjustment (0 pos. -\$16,542). Administrative savings are anticipated in planning grants (0 pos., -\$32).

Additional funds are requested to allow EDA to continue to provide assistance to those communities injured by defense reductions (0 pos.; +\$60,000). Grants will be awarded to assist communities to begin planning following the announcement of procurement cutbacks, closing of Department of Energy defense related labs, or completion of the Base Closure Commission's decisions, and to implement base reuse plans.

<u>Economic development guaranteed loans</u>	13	1,976	1	50,000
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An increase in budget authority (+1 pos., +\$50,000) is requested to guarantee loans for business development for industrial and commercial uses. This amount will cover the estimated subsidy rate for an estimated \$269 million program.

Comparison of Appropriation by Activity

ECONOMIC DEVELOPMENT ADMINISTRATION	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate		(Decrease)	
<u>Salaries and expenses</u>	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>DIRECT OBLIGATIONS</u>								
Economic development assistance programs:								
Executive direction	22	\$1,716	22	\$1,722	22	\$1,706	III	(\$16)
Program operations	74	4,792	61	3,979	55	3,824	(6)	(155)
Program support	65	6,413	65	7,660	64	9,765	(1)	2,105
Office of Economic Conversion Information	0	0	0	0	11	2,310	11	2,310
Regional operations	214	15,079	214	15,203	206	15,042	(8)	(161)
TOTAL DIRECT OBLIGATIONS	375	28,000	362	28,564	358	32,647	(4)	4,083
REIMBURSABLE OBLIGATIONS	0	2,333	0	160	0	160	0	0
TOTAL OBLIGATIONS	375	30,333	362	28,724	358	32,807	(4)	4,083
<u>Financing</u>								
Offsetting collections from:								
Federal funds	0	(2,333)			0	(160)		
Subtotal financing	0	(2,333)			0	(160)		
TOTAL BUDGET AUTHORITY	375	28,000			358	32,647		
TOTAL APPROPRIATION	375	28,000			358	32,647		

Summary of Changes from 1994 Appropriation

ECONOMIC DEVELOPMENT ADMINISTRATION	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Salaries and expenses.</u>				
Appropriation currently available: 1994			375	\$28,000
<u>ADJUSTMENTS TO BASE.</u>				
<u>TRANSFERS</u>				
Transfer to loan guarantee program	(13)	(\$1,976)		
Subtotal transfers			(13)	(1,976)
<u>OTHER CHANGES.</u>				
Locality pay		838		
1995 Pay raise		297		
Within - grade step increases		162		
One less compensable day		(82)		
Civil Service Retirement System (CSRS)		(13)		
Federal Employees Retirement System (FERS)		24		
Thrift Savings Plan		4		
Federal Insurance Contributions Act (FICA) - OASDI		20		
Health insurance premium		68		
Travel and transportation		12		
Rental payments to GSA		114		
Rental payments to others		5		
Printing and reproduction		2		
Other services				
Contracts		32		
Working Capital Fund		1,101		
Supplies and materials		4		
Employees' compensation fund		(48)		
Subtotal, other cost changes			0	2,540
<u>TOTAL, ADJUSTMENTS TO BASE</u>			(13)	564
1995 base			362	28,564
Administrative savings			0	(68)
FTE savings			(5)	(310)
Program changes			1	4,461
<u>1995 APPROPRIATION.</u>			358	32,647

Comparison of Appropriation by Activity

ECONOMIC DEVELOPMENT ADMINISTRATION	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate			
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Economic development assistance programs</u>								
<u>DIRECT OBLIGATIONS</u>								
Public Works	0	\$171,906	II	\$160,000	0	\$130,924	0	(\$29,076)
Planning assistance:								
Districts	0	18,583	II	19,003	0	18,577	0	(426)
Indians	0	2,901	II	2,971	0	2,904	0	(67)
States	0	1,933	II	1,979	0	1,935	II	(44)
Urban	II	2,583	II	2,645		2,584	0	(61)
Subtotal	0	26,000	0	26,598	0	26,000	II	(598)
Defense Economic Conversion	0	80,000	0	80,000	II	140,000	0	\$60,000
Technical assistance grants	0	12,486	II	10,600	II	10,600	II	0
Economic adjustment grants	II	35,559	II	35,542	0	19,000	0	(16,542)
Trade adjustment assistance grants	0	10,000	II	10,000	0	0	II	(10,000)
Research and evaluation	0	500	0	500	II	500	0	0
Midwest Flood 1983	0	94,619	0	0	0	II	0	0
TOTAL DIRECT OBLIGATIONS	II	431,070	II	323,240	II	327,024	II	3,784
REMBURSABLE OBLIGATIONS	II	107,105		500		500		II
TOTAL OBLIGATIONS	0	538,175	II	323,740	0	327,524	II	3,784
<u>FINANCING</u>								
Unobligated balance, start of year	0	(219,233)			0	0		
Unobligated balance transferred	0	5,000			0	0		
Subtotal financing	0	(214,233)			II	0		
TOTAL BUDGET AUTHORITY:	0	323,942			0	327,524		
Offsetting collections from:								
Federal funds		(1,300)			0	(500)		
TOTAL APPROPRIATION:	0	322,642			0	327,024		

Summary of Changes from 1994 Appropriation

ECONOMIC DEVELOPMENT ADMINISTRATION	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Economic development assistance programs.</u>				
Appropriation, 1994			0	\$322,642
<u>ADJUSTMENTS TO BASE</u>				
Planning grants, INFLATION	0	\$598		
TOTAL, ADJUSTMENTS TO BASE			0	598
1995 base			0	323,240
Administrative savings			0	(32)
Program changes			0	3,816
1995 APPROPRIATION			0	327,024

Comparison of Appropriation by Activity

ECONOMIC DEVELOPMENT ADMINISTRATION	1994		1995		1995		Increase*	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Economic development guaranteed loans.</u>								
<u>DIRECT OBLIGATIONS</u>								
Credit and debt management	0	\$0	5	\$1,405	6	\$1,405	1	\$0
Liquidation	0	0	8	571	8	571	0	0
Credit reform (loan guarantees)	0	0	0	0	0	50,000	0	50,000
TOTAL DIRECT OBLIGATIONS	0	0	13	1,976	14	51,976	1	50,000
TOTAL BUDGET AUTHORITY	0	0	13	1,976	14	51,976	1	50,000
TOTAL APPROPRIATION	0	0	13	1,976	14	51,976	1	50,000

Summary of Changes from 1994 Appropriation
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ECONOMIC DEVELOPMENT ADMINISTRATION	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Economic development guaranteed</u>				
<u>loans</u>				
Appropriation, 1994			0	\$0
<u>ADJUSTMENTS TO BASE:</u>				
Transfer from Salaries and Expenses	13	\$1,976		
TOTAL, ADJUSTMENTS TO BASE			13	1,976
1995 base			13	1,976
Program changes			1	50,000
1995 APPROPRIATION:			14	51,976

ECONOMICS AND STATISTICS ADMINISTRATION BUREAU OF THE CENSUS

The Bureau of the Census collects, compiles and publishes a broad range of current and periodic statistics including economic, social and demographic data on population, housing, agriculture, governments, foreign trade, manufacturing, construction, mineral industries, and retail, wholesale, and service trades.

The Salaries and Expenses appropriation provides for monthly, quarterly and annual surveys, and other programs which require a constant annual funding level.

The Periodic Censuses and Programs appropriation provides for decennial and quinquennial censuses, and other programs which are cyclical in nature. Additionally, individual surveys are conducted for other Federal agencies on a reimbursable basis.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase/ (Decrease)
FEDERAL FUNDS:				
<u>Appropriation:</u>				
Salaries and expenses	\$123,955	\$128,286	\$147,385	\$19,099
Periodic censuses and programs	<u>173,300</u>	110,000	159,000	49,000
TOTAL APPROPRIATION	297,255	238,286	306,385	68,099
<u>Transfer Pursuant to P.L. 102-395:</u>				
Salaries and expenses	3,405	0	0	0
Periodic censuses and programs	<u>(3,405)</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL BUDGET AUTHORITY	297,255	238,286	306,385	68,099

PERMANENT POSITIONS

	<u>1993</u>	<u>1994</u>	<u>1995</u> <u>Estimate</u>	<u>Increase/</u> <u>(Decrease)</u>
Salaries and expenses	1,926	2,043	2,343	300
Periodic censuses and programs	<u>2,382</u>	<u>1,637</u>	<u>1,733</u>	<u>96</u>
TOTAL:	4,308	3,680	4,076	396

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	<u>Permanent</u> <u>Positions</u>	<u>Amount</u>	<u>Permanent</u> <u>Positions</u>	<u>Amount</u>

Salaries and Expenses

Current Economic Statistics	1,435	\$87,029	179	\$8,644
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FY 1995 increases support the Economic Information Infrastructure Initiative. The components will: expand and improve service (+ 77 pos.; +\$3,833) and construction statistics (+ 32 pos.; +\$1,332); expand the coverage of pollution abatement investment and operating costs to include non-manufacturing industries and support BEA's calculation of Green GDP (+ 18 pos.; +\$1,056); and, modernize and restructure the Standard Industrial Classification code system (+ 52 pos.; +\$2,423).

Offsetting Collections from Census Data Sales				(2,000)
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The Bureau will examine the price structure of data products sold to the public with the goal of more fully reflecting the cost of those products.

Personnel and Administrative Reductions	2,194	142,766	(30)	(2,025)
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Reductions are taken to all activities in Salaries and Expenses.

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	<u>Permanent Positions</u>	<u>Amount</u>	<u>Permanent Positions</u>	<u>Amount</u>
<u>Periodic Censuses and Programs</u>				

Year 2000 decennial census			[551]	[\$48,561]
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Each year's estimate for the 2000 Decennial Census is calculated on a zero base and is included as part of the net cyclical changes entry in the Summary of Changes table below. Total spending for the 2000 Decennial Census will be \$48.6 million in FY 1995. This will allow Census to complete the 2000 research and development program, initiate a low level of research and development for the 2010 census; begin operational planning for 2000 and conduct a full census test to evaluate the proposed fundamental changes in census design. The census test is critical in determining the operational feasibility, cost effectiveness and coverage improvement potential of the designs under consideration for the 2000 Decennial Census. The census test must take place in FY 1995 to select the design on schedule in December 1995.

Computer Assisted Survey Information Collection (CASIC)	0	0	116	7,409
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CASIC will facilitate the Census Bureau's goal to re-engineer its business processes. This long term concept uses modular survey-taking to sample, collect, capture edit, code, analyze, correct and tabulate survey data to increase cost efficiency and timeliness of Census demographic and economic survey data. It will also allow Census to improve customer service and information flow to the national information infrastructure.

Data Processing Systems	0	8,258	0	5,100
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Mid-Decade Modernization of Census's computer systems will provide the open computing support required by CASIC and the 2000 Decennial Census as it evolves into new survey and census processing techniques. It will identify and replace obsolete computer resources and will enhance Census product delivery through application of state of the art information technology by moving to open architecture. Census will replace obsolete end-user devices with standard devices and re-engineer applications to take advantage of open systems and reduce systems cost in the long term.

Personnel and Administrative Reductions	1,651	151,486	(34)	(2,223)
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Reductions are taken to all activities in Periodic Censuses and Programs.

Comparison of Appropriation by Activity

BUREAU OF THE CENSUS	1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Salaries and expenses</u>								
<u>DIRECT OBLIGATIONS</u>								
Current surveys and statistics								
Current economic statistics	1,342	\$78,032	1,435	\$87,029	1,593	\$93,294	158	\$6,265
Current demographic statistics	847	47,039	705	52,142	697	50,601	(8)	(1,541)
Survey development and data services	54	3,215	54	3,595	53	3,490	(1)	(105)
TOTAL DIRECT OBLIGATIONS	2,043	128,286	2,194	142,766	2,343	147,385	149	4,619
REIMBURSABLE OBLIGATIONS	2,458	166,000	1,735	154,000	1,735	154,000	0	0
TOTAL OBLIGATIONS	4,501	294,286	3,929	296,766	4,078	301,385	149	4,619
<u>FINANCING</u>								
Offsetting collections from								
Federal funds	(2,328)	(154,000)			(1,607)	(141,000)		
Non-Federal sources	(130)	(12,000)			(128)	(13,000)		
Subtotal financing	(2,458)	(166,000)			(1,735)	(154,000)		
TOTAL BUDGET AUTHORITY	2,043	128,286			2,343	147,385		

Summary of Changes from 1994 Appropriation

BUREAU OF THE CENSUS	1995 Estimate			
	<u>Detailed</u>		<u>Summary</u>	
	<u>Perm. Pos.</u>	<u>Amount</u>	<u>Perm. Pos.</u>	<u>Amount</u>
<u>Salaries and expenses</u>				
Appropriation, 1994			2,043	\$128,286
<u>ADJUSTMENTS TO BASE</u>				
<u>ADJUSTMENTS</u>				
Computer assisted center savings	(3)	(\$300)		
National Trade Data Bank to ESA revolving fund		(\$99)		
Subtotal, adjustments			(3)	(\$99)
<u>OTHER CHANGES</u>				
Continuation of FY 1994 operating level	152	5,500		
Full year cost of FY 1994 locality pay raise in FY 1995		3,834		
1995 pay raise		1,136		
Within-grade step increases		981		
One less compensable day		(365)		
Civil Service Retirement System (CSRS)		(21)		
Federal Employees Retirement System (FERS)		38		
Thrift Savings Plan		169		
Federal Insurance Contributions Act (FICA) - OASDI		11		
Health insurance premium		300		
Employees' Compensation Fund		380		
Travel		64		
Rent payments to GSA		359		
Printing and reproduction		58		
Other services				
Working Capital Fund		2,293		
Supplies and materials		49		
IG/CFO Audits	2	593		
Subtotal, other changes			154	15,379
<u>TOTAL, ADJUSTMENTS TO BASE</u>			151	14,480
1995 base			2,194	142,766
Personnel Savings			(30)	(1,527)
Administrative Savings			0	(498)
Program changes			179	6,644
<u>1995 APPROPRIATION</u>			2,343	147,385

Comparison of Appropriation by Activity

BUREAU OF THE CENSUS	1994		1995		1995		Increase	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Periodic censuses and programs</u>								
<u>DIRECT OBLIGATIONS</u>								
<u>Economic statistics programs</u>								
Economic censuses	520	\$37,594	396	\$30,297	382	\$29,664	(14)	(\$633)
Census of governments	37	2,896	38	2,604	36	2,515	(2)	(89)
Census of agriculture	336	20,045	196	13,605	189	13,183	(7)	(422)
Subtotal	893	60,535	630	46,506	607	45,362	(23)	(1,144)
<u>Demographic statistics programs</u>								
Intercensal demographic estimates	60	6,044	62	5,876	60	5,745	(2)	(131)
1990 Decennial census	0	488	0	0	0	0	0	0
Year 2000 Decennial census	118	8,122	551	48,561	551	48,561	0	0
Subtotal	178	14,654	613	54,437	611	54,306	(2)	(131)
Sample redesign	185	13,096	57	6,616	54	6,441	(3)	(175)
CASIC	0	0	0	0	116	7,409	116	7,409
Geographic support	381	24,014	351	35,669	345	35,107	(6)	(562)
Data processing systems	0	8,189	0	8,258	0	13,147	0	4,889
TOTAL DIRECT OBLIGATIONS	1,637	120,488	1,651	151,486	1,733	161,772	82	10,286
<u>FINANCING</u>								
Unobligated balance start of year		(488)						
Recovery of prior year obligations		(10,000)				(2,772)		
Subtotal financing	0	(10,488)			0	(2,772)		
TOTAL APPROPRIATION	1,637	110,000			1,733	159,000		

Summary of Changes from 1994 Appropriation

	1995 Estimate			
	<u>Detailed</u>		<u>Summary</u>	
	<u>Perm. Pos.</u>	<u>Amount</u>	<u>Perm. Pos.</u>	<u>Amount</u>
BUREAU OF THE CENSUS				
<u>Periodic censuses and programs</u>				
Appropriation, 1994			1,637	\$110,000
<u>ADJUSTMENTS TO BASE</u>				
<u>ADJUSTMENTS</u>				
Net cyclical changes in periodic programs	18	\$34,640		
Subtotal, adjustments			18	34,640
<u>OTHER CHANGES</u>				
Full year cost of 1994 locality pay raise in 1995		3,777		
Transfer to Office of Human Resource Management	(4)	0		
1995 pay raise		695		
Within-grade step increases		1,366		
Civil Service Retirement System (CSRS)		(190)		
Federal Employees Retirement System (FERS)		351		
Thrift Savings Plan		179		
Federal Insurance Contributions Act (FICA) - OASDI		163		
Health insurance premium		266		
Employees' Compensation Fund		81		
Travel		36		
Printing and reproduction		43		
Supplies and materials		79		
Subtotal, other changes			(4)	6,846
TOTAL, ADJUSTMENTS TO BASE			14	41,486
1995 base			1,651	151,486
Administrative savings			0	(1,063)
FTE Reductions			(34)	(1,160)
Program changes			116	12,509
TOTAL REQUIREMENTS			1,733	161,772
<u>FINANCING</u>				
Recovery of prior year obligations			0	(2,772)
1995 APPROPRIATION			1,733	159,000

ECONOMICS AND STATISTICS ADMINISTRATION

ECONOMIC & STATISTICAL ANALYSIS

Economic and Statistical Analysis provides a spectrum of economic statistics that describe the position of the U.S. economy. The provision of economic information and analyses is accomplished through two program activities.

The Bureau of Economic Analysis prepares and interprets the economic accounts of the United States. These accounts consist of the national income and product accounts, summarized by the gross domestic product (GDP); the wealth accounts, which show the business and other components of national wealth; the input-output accounts, which trace interrelationships among industrial markets; regional economic accounts; and the U.S. balance of payments and associated foreign investment accounts. This work is supplemented by a system of business indicators.

Policy Support provides information and analyses on the state of the economy and matters relating to economic policy, supports the Under Secretary for Economic Affairs with statistical coordination, and conducts analyses of the cross-industry effects of economic developments.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase (Decrease)
FEDERAL FUNDS:				
<u>Appropriation:</u>				
Salaries and expenses	\$39,353	\$45,220	\$54,445	\$9,225
Revolving Fund	0	0	1,677	1,677
TOTAL APPROPRIATION	39,353	45,220	56,122	10,902
<u>Transfers:</u>				
Pursuant to P.L. 102-395	7,600	0	0	0
Total Budget Authority	46,953	45,220	56,122	10,902
PERMANENT POSITIONS				
Salaries and expenses	601	558	634	76

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	<u>Permanent Positions</u>	<u>Amount</u>	<u>Permanent Positions</u>	<u>Amount</u>
Economic Analysis	475	\$40,989	97	\$8,061

An increase of \$8.1 million is requested to support improvements to the Bureau of Economic Analysis's (BEA) economic accounts – providing data and analysis of gross domestic product (GDP), gross state product, personal income, and balance of payments – under the Economic Information Infrastructure Initiative. This initiative will: strengthen the existing programs to measure more accurately the rapidly changing domestic and international economy (+8 pos.; +\$1,200); launch new initiatives, including Green GDP (+25 pos.; +\$1,471) and improving the comparability of the economic accounts (+49 pos.; +\$2,118); and, re-engineer the data gathering process at BEA (+15 pos.; +\$3,272).

ESA Revolving Fund	0	1,677	0	0
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A one-time appropriation of \$1,677 thousand will establish the working capital for a self supporting revolving fund for data products of the Economics and Statistics Administration. Establishment of this fund is offset by a \$131,000 decrease in ESA Salaries and Expenses, a \$599,000 decrease in Census Salaries and Expenses and a \$947,000 decrease in ESA Reimbursables for 1995.

Personnel and Administrative Reductions	545	46,937	(8)	(553)
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Personnel and administrative expenses are reduced for all ESA activities.

Comparison of Appropriation by Activity

ECONOMIC & STATISTICAL ANALYSIS	1994		1995		1996		Increase	
	Current Available		Base		Expend.		Decrease	
Salaries and expenses	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
DIRECT OBLIGATIONS								
Economic analysis	485	\$40,799	475	\$40,984	565	\$48,571	90	\$7,583
Policy support	73	5,787	70	5,948	69	5,871	-3	(77)
TOTAL DIRECT OBLIGATIONS	558	46,586	545	46,937	634	54,442	89	7,506
REIMBURSABLE OBLIGATIONS	58	3,415	37	1,871	38	1,871	-1	0
TOTAL OBLIGATIONS	616	50,001	582	48,808	670	56,313	88	7,506
FINANCING								
Offsetting collections from:								
Federal funds	(49)	(2,215)			(3)	(1,528)		
Non-Federal sources	(9)	(1,200)			(6)	(347)		
Unobligated balance, start of year	0	(1,366)			0			
Subtotal financing	(58)	(4,781)			(9)	(1,875)		
TOTAL BUDGET AUTHORITY	558	45,220			634	54,442		
TOTAL APPROPRIATION	558	45,220			634	54,442		

Summary of Changes from 1994 Appropriation

ECONOMIC & STATISTICAL ANALYSIS	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Salaries and expenses.</u>				
Appropriation, 1994			558	\$45,220
<u>ADJUSTMENTS TO BASE.</u>				
<u>ADJUSTMENTS.</u>				
FY 1994 Re-estimate of FTE and positions	(13)			
Non recurring costs		(5550)		
Subtotal, Adjustments			(13)	(550)
<u>TRANSFERS.</u>				
Transfer Data Dissemination to ESA Revolving Fund	(2)	(131)		
From "Working Capital Fund," Office of Secretary	2	0		
Subtotal, transfers			0	(131)
<u>OTHER CHANGES.</u>				
Additional amount in FY 1995 to provide full year cost of FY 1994 locality pay raise		1,066		
1995 pay raises		365		
Within-grade step increases		417		
Change in compensable days		(110)		
Civil Service Retirement System (CSRS)		(31)		
Federal Employees Retirement System (FERS)		57		
Thrift Savings Plan		0		
Federal Insurance Contributions Act (FICA) - OASDI		29		
Health insurance premium		70		
Employees' Compensation Fund		59		
Travel and transportation of persons		2		
Rental payments to GSA		93		
Rental payments to others		1		
Printing and reproduction		12		
Other services				
Working Capital Fund		104		
Supplies and materials		14		
Equipment		15		
CFO Act Audit Costs		226		
Subtotal, other changes			0	2,398
TOTAL, ADJUSTMENTS TO BASE			(13)	1,717
1995 base			545	46,937
Administrative Savings			0	(100)
FTE Savings			(8)	(453)
Program changes			97	8,061
Total Appropriation			634	54,445

Comparison of Appropriation by Activity

ECONOMIC & STATISTICAL ANALYSIS	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate			
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>ESA Revolving Fund</u>								
TOTAL DIRECT OBLIGATIONS					0	\$0		
REIMBURSABLE OBLIGATIONS					16	2,165		
TOTAL OBLIGATIONS					16	2,165		
<u>FINANCING</u>								
Offsetting collections from								
Federal funds					0	0		
Non-Federal sources					(16)	(2,165)		
Unobligated balance, end of year						1,677		
Subtotal, financing					(16)	(488)		
TOTAL BUDGET AUTHORITY:					0	1,677		
TOTAL APPROPRIATION:					0	1,677		

Summary of Changes from 1994 Appropriation

ECONOMIC & STATISTICAL ANALYSIS	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>ESA Revolving Fund</u>				
Appropriation, 1994			0	\$0
<u>ADJUSTMENTS TO BASE</u>				
<u>TRANSFERS</u>				
Transfer from ESA Salaries and Expenses	0	\$131		
Transfer from Census Salaries and Expenses	0	599		
Transfer from ESA Reimbursable	0	947		
Subtotal transfers			0	1,677
TOTAL ADJUSTMENTS TO BASE			0	1,677
1995 base			0	1,677
Total Appropriation			0	1,677

INTERNATIONAL TRADE ADMINISTRATION

The International Trade Administration (ITA) strives to increase the competitiveness of U.S. business in the world economy by promoting U.S. exports, fighting unfair foreign trade barriers, and negotiating and implementing both multilateral and bilateral trade agreements. ITA objectives are accomplished through the following four program units:

Trade Development (TD) assesses the competitiveness of U.S. industries, conducts analyses on international trade and investment, conducts export promotion programs and carries out the Market Development Cooperator Program directed toward specific industrial sectors. TD also provides support for the Trade Promotion Coordinating Committee.

International Economic Policy (IEP) assists in the formulation of U.S. bilateral and multilateral trade policies, monitors the implementation of trade agreements, and provides counseling and assistance to U.S. businesses seeking to trade with specific countries or regions.

Import Administration (IA) protects American firms from unfair trade practices by administering U.S. antidumping and countervailing duty laws, bilateral steel trade agreements, the U.S. – Canada Softwood Lumber Agreement, and the U.S. – Japan Semiconductor agreement.

The United States and Foreign Commercial Service (US&FCS) provides export counseling and export promotion services to U.S. firms through a network of offices in 47 states and 68 foreign countries. The US&FCS develops and distributes information products and conducts trade shows and trade fairs overseas.

The extensive network of national and international offices places ITA in a key position to advance TPCC's goal of providing rational and coordinated export services to the private sector. As a participant in the U.S. Export Assistance Centers, "one stop shops," ITA assists businesses in all facets of exports, ranging from general guidance to finance strategies and sectoral analysis.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase (Decrease)
FEDERAL FUNDS:				
<u>Appropriation:</u>				
Operations & administration	\$213,851	\$248,590	\$262,468	\$13,878
TOTAL APPROPRIATION	213,851	248,590	262,468	13,878
Less Proposed Rescission	0	(2,000)	0	\$2,000
REVISED APPROPRIATION	213,851	246,590	262,468	\$15,878
PERMANENT POSITIONS				
<u>Appropriation:</u>				
Operations & administration	2,431	2,516	2,496	(20)

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	<u>Permanent Positions</u>	<u>Amount</u>	<u>Permanent Positions</u>	<u>Amount</u>
Trade development	490	\$53,470	(10)	\$2,819

An increase is requested to enable ITA to implement the TPCC recommendation to develop a strategic international marketing program to promote U.S. exports of environmental technology, products and services (0 pos.; +\$4,148). Funds are also requested to replace the Trade Policy Information System (TPIS) which will cease to be housed at the National Institutes of Health in 1996 (0 pos.; +\$911). A reduction is proposed for the Consortia of American Businesses in the Newly Independent States (CABNIS) program (0 pos.; -\$1,599). In FY 94, ITA requested funding for three additional grants to supplement the nine consortia funded by the Agency for International Development (AID) for-profit firms interested in doing business in the NIS. ITA feels that the establishment of twelve consortia is sufficient and proposes that no additional consortia be funded. Also proposed are decreases for administrative and FTE savings (-10 pos.; -\$641).

International Economic Policy	248	20,779	(4)	(270)
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Reductions for administrative and FTE savings are proposed (-4 pos.; -\$270).

Import Administration	348	\$33,561	(8)	(\$671)
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Reductions for administrative and FTE savings are proposed (-8 pos.; -\$671).

U.S. and Foreign Commercial Service (US&FCS)	1,430	144,704	2	8,076
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An increase is requested to expand the US&FCS overseas network in response to TPCC recommendations to improve delivery of export promotion assistance (+16 pos.; +\$6,973). In addition, ITA will expand opportunities for U.S. exporters in critical growth markets such as Latin America and the Far East (0 pos.; +\$1,934), increase U.S. businesses' awareness of sources of and access to trade finance (0 pos.; +\$925), and increase exports of U.S. firms making the transition from defense production to commercial marketing (0 pos.; +\$1,461). A reduction is proposed for Commercial Information Management System (CIMS) (0 pos.; -\$1,981). At this funding level, maintenance, including equipment repair or replacement, will be accomplished for CIMS, NTDA, office automation and electronic mail for all US&FCS offices. Also proposed are decreases for administrative and FTE savings (-14 pos.; -\$1,236).

Comparison of Appropriation by Activity

INTERNATIONAL TRADE ADMINISTRATION	1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Operations and Administration								
DIRECT OBLIGATIONS:								
Trade development	490	\$61,357	490	\$53,470	480	\$56,289	(10)	\$2,819
International economic policy	248	20,057	248	20,779	244	20,509	(4)	(270)
Import administration	348	35,742	348	33,561	340	32,890	(8)	(671)
U.S. & Foreign Commercial Service	1,430	137,882	1,430	144,704	1,432	152,780	2	8,076
TOTAL DIRECT OBLIGATIONS:	2,516	255,038	2,516	252,514	2,496	262,468	(20)	9,954
REIMBURSABLE OBLIGATIONS:	28	32,108	28	32,108	28	32,108	0	0
TOTAL OBLIGATIONS:	2,544	287,146	2,544	284,622	2,524	294,576	(20)	9,954
FINANCING:								
Unobligated balance, start of year		(6,448)						
Offsetting collections from:								
Federal funds		(15,420)				(15,420)		
Non-Federal sources	(28)	(16,688)			(28)	(16,688)		
Subtotal, financing	(28)	(38,556)			(28)	(32,108)		
TOTAL BUDGET AUTHORITY:	2,516	248,590			2,496	262,468		
TOTAL APPROPRIATION:	2,516	248,590			2,496	262,468		

Summary of Changes from 1994 Appropriation

INTERNATIONAL TRADE ADMINISTRATION	1995 Estimate					
	Detailed			Summary		
	Perm.	Pos.	Amount	Perm.	Pos.	Amount
Operations and Administration						
Appropriation currently available: 1994						
ADJUSTMENTS TO BASE						
ADJUSTMENTS						
National Textile Center			(\$ 1,552)			
Center for Global Competitiveness			(800)			
Center for Mfg. Productivity			(465)			
Michigan Biotech Institute			(930)			
Tailored Clothing Technology Center (TC2)			(3,400)			
Mass. Biotech Research			(1,395)			
Subtotal, Adjustments						(8,542)
OTHER CHANGES						
1995 Pay Raise			1,286			
Locality Pay			3,284			
Annualization			380			
Within-grade Step Increases			1,010			
Change in Compensable Days			(470)			
Civil Service Retirement System (CSRS)			(552)			
Federal Employees Retirement System (FERS)			1,160			
Thrift Savings Plan			156			
Federal Insurance Contributions Act (FICA) - OASDI			538			
Health insurance premium			271			
Employees' Compensation Fund			(78)			
Travel and Transportation			41			
Rental Payments to GSA			620			
Rental Payments to Others			3			
Communications, utilities & misc. charges			100			
Printing and reproduction			92			
Working Capital Fund			296			
Supplies and materials			54			
Foreign Service Nationals Wage Increases			1,064			
Overseas Price Increases			688			
CFO Act Audit Costs			232			
Foreign Affairs Administrative Services			2,291			
Subtotal, Other Changes				0		12,466
TOTAL, ADJUSTMENTS TO BASE				0		3,924
1995 Base				2,516		252,514
FTE Reductions				(36)		(2,029)
Administrative Savings				0		(789)
Program Changes				16		12,772
TOTAL REQUIREMENTS				2,496		262,468
1995 APPROPRIATION				2,496		262,468

BUREAU OF EXPORT ADMINISTRATION

The Bureau of Export Administration (BXA) enforces U.S. export controls relating to national security, foreign policy, and short supply. Drawing its authority from the Export Administration Act of 1979 as amended, BXA strives to balance economic and national security interests through several programs. In 1994, the Export Authorization Act will be re-authorized for the first time in a post cold war, post CoCom world and will require new responsibilities for BXA.

Management and Policy Coordination develops, analyzes, and coordinates policy initiatives within BXA.

Export Administration determines: 1) whether to approve or deny export licenses for controlled goods and technology; 2) the technical parameters of controlled goods and technology; and, 3) the foreign availability of controlled goods and technology. It also drafts regulations and represents BXA in interagency and international fora relating to export controls.

Export Enforcement detects and prevents the illegal export of controlled goods and technology in violation of U.S. export control laws.

Industrial Resource Administration ensures the availability of industrial resources for national defense under the authority of the Defense Production Act.

In an effort to maintain an export control system that facilitates trade while safeguarding national security, BXA will participate in a government-wide effort to reform the Federal export control system as recommended by the NPR and the TPCC. Special attention will be given to the export licensing process to eliminate bureaucratic delay and duplication in order to liberalize export controls.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase/ (Decrease)
FEDERAL FUNDS				
Appropriation:				
Operations & administration	\$41,015	\$34,747	\$43,372	\$8,625
TOTAL APPROPRIATION	41,015	34,747	43,372	8,625
PERMANENT POSITIONS				
Appropriation:				
Operations & administration	430	306	366	60

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	Permanent Positions	Amount	Permanent Positions	Amount
Export administration	145	\$17,337	35	\$4,121

An increase is requested to enable BXA to implement the Trade Promotion Coordinating Committee's recommendations to reform the export control system (+ 39 pos., +\$4,404). Special attention will be given to streamlining the export licensing process and liberalizing export controls. Also proposed are decreases for administrative and FTE savings (- 4 pos.; -\$283).

Export enforcement	126	15,085	25	3,090
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To ensure that statutory responsibilities for enforcing export controls are met, increased funding is requested for Export Enforcement (+ 28 pos., +\$3,299). This increase will allow BXA to fully staff its enforcement field offices and maintain an effective level of enforcement. Also proposed are decreases for administrative and FTE savings (- 3 pos.; -\$209).

Comparison of Appropriation by Activity

	1994		1995		1995		Increase/	
	Currently Available		Base		Estimate		(Decrease)	
BUREAU OF EXPORT ADMINISTRATION	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Operations and Administration</u>								
DIRECT OBLIGATIONS								
Management and policy coordination	16	\$1,784	16	\$1,563	16	\$1,563	0	\$0
Export administration	145	19,065	145	17,337	180	21,458	35	4,121
Export enforcement	126	16,768	126	15,085	151	18,175	25	3,090
Industrial resource administration	19	2,089	19	2,176	19	2,176	0	0
TOTAL DIRECT OBLIGATIONS	306	39,706	306	36,161	366	43,372	60	7,211
REIMBURSABLE OBLIGATIONS	4	2,400	4	500	4	500	0	0
TOTAL OBLIGATIONS	310	42,106	310	36,661	370	43,872	60	7,211
FINANCING								
Offsetting collections from								
Federal funds	0	(1,700)			0	(100)		
Non-Federal sources	(4)	(700)			(4)	(400)		
Unobligated balance, start of year	0	(4,959)			0	0		
Subtotal, financing	(4)	(7,359)			(4)	(500)		
TOTAL BUDGET AUTHORITY	306	34,747			366	43,372		
TOTAL APPROPRIATION	306	34,747			366	43,372		

Summary of Changes from 1994 Appropriation

BUREAU OF EXPORT ADMINISTRATION Operations and Administration	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Appropriation currently available: 1994			866	\$14,117
ADJUSTMENTS TO BASE				
OTHER CHANGES				
1995 Pay raise		\$645		
Locality Pay		868		
Within-grade step increases		677		
Change in compensable day		(67)		
Civil Service Retirement System (CSRS)		0		
Federal Employees Retirement System (FERS)		147		
Thrift Savings Plan		113		
FICA		1		
Health insurance		82		
Employees' Compensation Fund		8		
Travel and Transportation		0		
Rent payments to GSA		91		
Rental payments to others		14		
Communications, utilities & misc. charges				
Printing and reproduction		8		
Working Capital Fund		12		
Equipment		1		
Supplies and materials		0		
Subtotal: other changes			0	1,414
TOTAL, ADJUSTMENTS TO BASE				1,414
1995 base			866	36,161
FTE Reduction				(305)
Administrative Savings				(187)
Program changes			0	7,703
TOTAL REQUIREMENTS			866	11,172
1995 APPROPRIATION			866	11,172

MINORITY BUSINESS DEVELOPMENT AGENCY

The Minority Business Development Agency (MBDA) coordinates Federal efforts to develop and strengthen new and existing minority businesses. MBDA's Minority Enterprise Growth Assistance (MEGA) Centers provide high quality integrated business development services by upgrading the level of effort with more competitive, comprehensive professional expertise and support. On a cost -sharing basis, MBDA -funded Minority Business Development Centers (MBDCs) provide management and technical assistance to minority entrepreneurs. MBDA also conducts resource development, advocacy, research and information programs.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase/ (Decrease)
FEDERAL FUNDS:				
Appropriation:				
Minority business development	\$37,889	\$42,100	\$44,733	\$2,633
TOTAL APPROPRIATION	37,889	42,100	44,733	2,633

PERMANENT POSITIONS

Appropriation:

Minority business development	209	209	206	(3)
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HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	Permanent Positions	Amount	Permanent Positions	Amount
Enterprise Development	148	\$37,067	(3)	\$230

An increase is requested to allow MBDA to fully fund an additional MEGA Center, bringing the total to three MEGA Centers in FY 1995, and to improve MEGA Center support (0 pos.; +\$496). Includes FTE reductions (-3 pos.; -\$173) and administrative savings (0 pos.; -\$93).

Resource Development	27	3,018	0	1,210
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This increase will enable MBDA to focus on improving minority access to capital as well as to Federal procurement opportunities.

Research	8	1,134	0	505
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Funds will be used to analyze discrimination in commercial lending markets and guide MBDA's Capital Development programs.

Comparison of Appropriation by Activity

MINORITY BUSINESS DEVELOPMENT AGENCY	1994 <u>Currently Available</u>		1995 <u>Base</u>		1995 <u>Estimate</u>		<u>Increase- (Decrease)</u>	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Minority business development								
DIRECT OBLIGATIONS								
Enterprise development	148	\$38,278	148	\$37,067	145	\$37,297	(3)	\$230
Resource development	27	3,276	27	3,018	27	4,228	0	1,210
Advocacy, research and information	34	2,629	34	2,703	34	3,208	0	505
TOTAL DIRECT OBLIGATIONS	209	44,183	209	42,788	206	44,733	(3)	1,945
REIMBURSABLE OBLIGATIONS	0	1,500	0	1,500	0	1,500	0	0
TOTAL OBLIGATIONS	209	45,683	209	44,288	206	46,233	(3)	1,945
FINANCING								
Offsetting collections from:								
Federal funds		(1,500)				(1,500)		
Non-Federal sources		0				0		
Unobligated balance, start of year		(2,083)				0		
Subtotal, financing	0	(3,583)			0	(1,500)		
TOTAL BUDGET AUTHORITY	209	42,100			206	44,733		
TOTAL APPROPRIATION	209	42,100			206	44,733		

Summary of Changes from 1994 Appropriation

MINORITY BUSINESS DEVELOPMENT AGENCY

	1995 Estimate	
	Detailed	
	Perm_Pos.	Amount
Minority business development		
Appropriation currently available, 1994		
	209	\$42,100
ADJUSTMENTS TO BASE		
ADJUSTMENTS		
Redirect funds from Enterprise Development and Resource Development	(1,542)	
Redirect funds to MEGA Center (Enterprise Development)	1,542	
	0	0
OTHER CHANGES		
1995 Pay raise	131	
Locality Pay	412	
Changes in Compensable Days	(37)	
Within-grade step increases	64	
Civil Service Retirement System (CSRS)	26	
Federal Employees Retirement System (FERS)	(48)	
Thrift Savings Plan	(7)	
FICA	(13)	
Health Insurance	43	
Employees' Compensation Fund	69	
Travel and Transportation	7	
Rental Payments to GSA	36	
Rental Payments to Others	(1)	
Communications, utilities & misc charges	0	
Printing and reproduction	3	
Working Capital Fund	2	
Supplies and materials	1	
Subtotal, other changes	0	688
TOTAL, ADJUSTMENTS TO BASE	0	688
1995 base	209	42,788
FTE Reduction	(3)	(173)
Administrative Savings	0	(93)
Program changes	0	2,211
TOTAL REQUIREMENTS	206	44,733
1995 APPROPRIATION	206	44,733

UNITED STATES TRAVEL AND TOURISM ADMINISTRATION

The United States Travel and Tourism Administration (USTTA) coordinates the Federal role in international tourism. The goal of USTTA is to increase travel to the U.S. by carrying out trade development, trade policy, and statistical research programs designed to increase the American travel industry's awareness of the international market, facilitate entry of medium and small-sized travel firms into the market, and eliminate barriers to market entry for those companies.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase/ (Decrease)
FEDERAL FUNDS:				
<u>Appropriation:</u>				
Salaries and expenses	\$19,208	\$18,520	\$17,930	(\$590)
TOTAL APPROPRIATION	19,208	18,520	17,930	(590)

PERMANENT POSITIONS

Appropriation:

Salaries and expenses	94	94	97	3
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Comparison of Appropriation by Activity

U.S. TRAVEL AND TOURISM ADMINISTRATION	1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Salaries and expenses</u>								
<u>DIRECT OBLIGATIONS</u>								
International tourism development	79	\$20,567	82	\$15,157	82	\$15,157	0	\$0
Executive direction	15	2,603	15	2,773	15	2,773	0	0
TOTAL DIRECT OBLIGATIONS	94	23,170	97	17,930	97	17,930	0	0
<u>REIMBURSABLE OBLIGATIONS</u>								
	0	1,500	0	1,500	0	1,500	0	0
TOTAL OBLIGATIONS	94	24,670	97	19,430	97	19,430	0	0
<u>FINANCING</u>								
Offsetting collections from								
Federal sources		(100)				(100)		
Non-Federal sources		(1,400)				(1,400)		
Unobligated balance, start of year		(1,150)				0		
Unobligated balance, transferred		(3,500)				0		
Subtotal, financing	0	(6,150)			0	(1,500)		
TOTAL BUDGET AUTHORITY	94	18,520			97	17,930		
TOTAL APPROPRIATION	94	18,520			97	17,930		

Summary of Changes from 1994 Appropriation

U S TRAVEL AND TOURISM

ADMINISTRATION

Salaries and expenses

Appropriation, 1994

ADJUSTMENTS TO BASE

ADJUSTMENTS

Non-recurring program

OTHER CHANGES

1995 Estimate			
Details		Summary	
Perm_Pos.	Amount	Perm_Pos.	Amount
Appropriation, 1994		94	338,000
ADJUSTMENTS TO BASE			
ADJUSTMENTS			
Non-recurring program	(1,400)		
OTHER CHANGES			
Stay-in-school	3		
One less compensable day	(21)		
Locality pay	99		
1995 pay raise	59		
Within-grade step increases	44		
Civil Service Retirement System (CSRS)	(25)		
Federal Employees Retirement System (FERS)	45		
Thrift Savings Plan	7		
Federal Insurance Contributions Act (FICA) - OASDI	26		
Health insurance premium	17		
Employees' Compensation Fund	(24)		
Travel and Transportation	12		
Rental payments to GSA	2		
Printing and reproduction	14		
Audit costs	76		
Supplies and materials	5		
Equipment	2		
Overseas wage increases -- 1994	(16)		
Overseas wage increases -- 1995	77		
Overseas price increase -- 1994	(78)		
Overseas price increase -- 1995	466		
Research contracts	68		
In-Flight Survey	(45)		
Subtotal, other changes		3	(590)
TOTAL, ADJUSTMENTS TO BASE			
		3	(590)
1995 base		97	17,930
Program changes		0	0
TOTAL REQUIREMENTS			
		97	17,930
1995 APPROPRIATION			
		97	17,930

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

The FY 1995 National Oceanic and Atmospheric Administration (NOAA) budget format is revised to be consistent with the elements of the NOAA Strategic Plan for 1995 - 2005. The goals and objectives of the twelve elements of the Strategic Plan are summarized below.

Advance Short-Term Forecasts and Warnings:

Provides for advances in NOAA's operational atmospheric, oceanic and space observing and prediction systems to improve forecasts ranging from a few minutes to several months in advance. The improved observations and predictions are directed toward mitigating the effects of the environment on our Nation's citizens, infrastructure, and economic processes. Over the next decade, three actions are essential to attain NOAA's vision for enhanced short-term forecast and warning services: completion of the modernization and restructuring of the National Weather Service, strengthening NOAA's environmental observing, research, and prediction systems in all areas of the environment, and improving the dissemination of products and services. Achievement of these objectives requires completing the acquisition of Next Generation Weather Radar (NEXRAD), Automated Surface Observing Systems (ASOS), and Advanced Weather Interactive Processing System and NOAAPort (AWIPS/NOAAPort), completing the construction of Weather Forecast Offices (WFOs), continuing the Modernization and Associated Restructuring Demonstration and Implementation (MARDI), and continuing the Polar Operational Environmental Satellite (POES), and Geostationary Operational Environmental Satellite (GOES) acquisition programs.

Build Sustainable U.S. Fisheries:

Insufficient information exists to manage our Nation's economically important marine fisheries resources. No scientifically based population assessment information exists on 34 percent of all U.S. marine fishery resources. Of all assessed species, 43 percent are over utilized and 18 percent are under utilized. The objective of this program is to Build Sustainable U.S. fisheries to ensure and enhance stable, long-term economic opportunities in the communities that rely on them. NOAA will accomplish this by evaluating economically important fisheries to identify the activities required for restoration to and maintenance at sustainable levels. NOAA's efforts are estimated to have an \$8 billion impact on the U.S. Gross Domestic Product and create 300,000 jobs over the next decade. These evaluations are aggregated into six strategic areas for fisheries management: assessing the status of fisheries resources; advancing fishery prediction methods; managing fisheries for economic growth; establishing adequate compliance with existing statutes; reducing bycatch; and promoting environmentally sound methods for aquaculture.

Fleet Replacement and Modernization:

This capital investment program provides for the replacement and modernization of NOAA's aging research, fisheries and charting fleet using state-of-the-art technology to meet critical data collection requirements. In FY 1995, NOAA's fleet will have an average age of thirty years, many of which have never received the benefit of a mid-life overhaul. NOAA's Fleet Replacement and Modernization (FRAM) plan calls for 24 ships and 5,760 days-at-sea to be provided through a combination of Government-owned, leased and/or chartered vessels.

Recovering Protected Species:

This Strategic Plan element incorporates NOAA's activities that are focused on meeting statutory requirements for endangered species protection. Currently, a backlog of 22 plans exists. Activities in this area include: assessing the status of protected species; conducting research to mitigate the negative effects of marine mammal/fishery interactions; developing and implementing conservation and recovery plans for protected species; and developing proactive measures to prevent the listing of additional species under provisions of the Endangered Species Act.

Coastal Ecosystem Health:

Coastal ecosystem health problems are complex and solutions will require a comprehensive, multi-disciplinary approach. In FY 1995, NOAA will promote healthy coastal ecosystems by ensuring that economic development in coastal areas is managed in ways that maintain or enhance biodiversity and long-term productivity for sustained use. NOAA will provide the best scientific basis for environmental policy making and resource management decisions by integrating its management and technical capabilities, and creating cross-disciplinary teams that will focus on selected coastal ecosystems. Using this approach, NOAA will conduct comparative ecosystem (regional watershed) management activities designed to reduce the cumulative effects of ecosystem stress. Five key areas form the foundation for this effort: integrated operations; assessment and synthesis; monitoring; understanding; and education and outreach.

Environmental Compliance and Facilities Construction:

In order for NOAA to carry out its functions efficiently and safely, its facilities must be maintained at levels that fully support and enhance the completion of agency missions, and in a manner that complies with all applicable environmental statutes. This Strategic Plan element includes three major components: facilities repair and renovations; environmental compliance; and acquisition and development of property. Not included, however, is WFO Construction which is captured in the "Advance Short-Term Forecasts and Warnings" element.

Education & Human Resources:

NOAA will enhance public information dissemination programs and increase their teacher training and education activities. These programs are designed to maintain NOAA as the premier source for environmental science education so that they may continue to assist the U.S. population in making sound economic, environmental, and public safety decisions. Included in this Strategic Plan element is the continuation of the Vice President's Global Learning and Observations to Benefit the

Environment (GLOBE) program which will enhance the collective awareness of individuals worldwide and increase scientific understanding of the environment.

Environmental Technology:

This program is designed to strengthen NOAA's internal research and development and technology transfer capabilities, and to ensure the use and commercialization of environmental technology. NOAA will continue working with the National Institute for Standards and Technology (NIST) and the International Trade Administration (ITA) to create a Commerce-wide Environmental Technology Program to strengthen the U.S. environmental technology industry by expanding the technology base of U.S. firms, building domestic/foreign market demand, and expediting international sales and implementation. NOAA's focus in this area in FY 1995 is in Marine Biotechnology. Research will be conducted in four areas: genetic engineering, including bioremediation and aquaculture, natural products, technology and information for use in commercial production and processing; and molecular technology development for delineating marine species and eliminating seafood and aquacultural pathogens and contaminants.

Modernize Navigation and Positioning Systems:

This program fulfills NOAA's statutory mandate to provide charts for navigation and to provide basic data for engineering and scientific purposes, and for other commercial and industrial needs. The program consists of two components: navigation data, products and services; and the National Spatial Reference System. The navigation data, products and services component includes all of NOAA's activities related to producing nautical and aeronautical charts. The National Spatial Reference System element includes all the activities performed by NOAA's Geodesy Office. NOAA's goal for this program is to meet the Nation's needs for marine and aeronautical navigation systems that electronically integrate chart data, global positioning system-based locations, and real-time environmental information.

Implement Seasonal to Interannual Climate Forecasts:

The goal of this Strategic Plan element is to attain reliable one-year advance forecasts of global climate variability that will enable society to respond so that it may increase its economic advantage and mitigate economic losses and social disruption. The emphasis is on the prediction of the El-Niño Southern Oscillation (ENSO) phenomenon and its consequences. NOAA's program for implementation of rainfall and temperature distributions on a global basis includes six elements: prediction activities; the Tropical Ocean-Global Atmosphere (TOGA) observing system; other observing and data systems; data management; process research; and socio-economics and education.

Prediction and Assessment on Decadal- to -Centennial Scales:

The goal of this element is to provide science-based advice to decision makers by understanding, detecting and assessing long-term changes in the regional and global environment, specifically for climate change and greenhouse warming, ozone-layer depletion and recovery, and air quality improvements. Three research foci were developed for the on-going and augmented activities in NOAA to accomplish the objectives of this program. First, continue the Climate and Global Change

program's research, and maintain core research to foster a better understanding of climate and stratospheric ozone which is needed to address the science-based policy requirements of the U.N. Climate Convention and Montreal Protocol. Second, initialize the Health of the Atmosphere program which will supplement NOAA's air quality research to focus on regional environmental change. This is needed to effectively implement the Clean Air Act Amendments of 1990. Third, ensure the preservation of the climate record in the operation of NOAA's satellite and in situ observation systems.

Environmental Information:

The goal of this Strategic Plan element is to improve the Nation's ability to forecast the weather, predict climate change, and disseminate environmental data to the public. By harnessing the increased computing power of massively parallel processor systems, NOAA will be able to better predict weather and climate activity, thereby allowing Government and industry to make more informed decisions on issues that affect the environment and the economy. High speed networks including Internet and follow-on systems of the National Information Infrastructure (NII), will speed dissemination of this data. This element represents NOAA's contributions to the National Science and Technology Council's (NSTC) High Performance Computing and Communications (HPCC) program.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase (Decrease)
FEDERAL FUNDS:				
<u>Appropriation:</u>				
Operations, research and facilities (ORF)	\$1,524,972	\$1,694,753	\$1,833,083	\$138,330
Fleet modernization, shipbuilding and conversion	30,000	77,064	23,040	(54,024)
Construction	94,500	109,703	36,197	(73,506)
Fishing vessel and gear damage compensation fund	1,306	1,273	1,273	0
Fisherman's contingency fund	1,025	999	999	0
Fishing vessel obligations guarantees	470	459	0	(459)
Aircraft procurement and modernization	0	43,000	0	(43,000)
Foreign fishing observer fund	565	550	400	(150)
TOTAL ENACTED APPROP.	1,652,838	1,927,801	1,894,992	(32,809)
Less Proposed Rescissions:				
Operations, research and facilities	0	(6,000)	0	6,000
Construction	0	(4,000)	0	4,000
TOTAL REVISED APPROP.	1,652,838	1,917,801	1,894,992	(22,809)
TRANSFERS:				
To: ORF				
From:				
Econ. Development Admin.	2,000	0	0	0

TRANSFERS CONT.	1993	1994	1995 Estimate	Increase (Decrease)
National Institute of Standards and Technology	\$4,012	\$0	\$0	\$0
Promote and develop fishery products	55,000	54,800	55,500	700
Damage assessment and restoration revolving fund	7,586	29,796	8,500	(21,296)
Construction	3,875	0	0	0
Fleet modernization, shipbuilding & conversion	1,500	0	0	0
Subtotal, ORF	73,973	84,596	64,000	(20,596)
<u>Promote and develop fishery products (P&D)</u>				
From:				
Department of Agriculture	61,408	61,944	61,900	(44)
To:				
ORF	(55,000)	(54,800)	(55,500)	(700)
Subtotal, P&D	6,408	7,144	6,400	(744)
<u>Damage Assessment and Restoration Revolving Fund</u>				
From:				
Department Of Interior	2,189	6,888	7,000	112
To:				
ORF	(7,586)	(29,796)	(8,500)	21,296
Subtotal, DARRF	(5,397)	(22,908)	(1,500)	21,408
From construction to ORF	(3,875)	0	0	0
From fleet modernization, shipbuilding & conversion account to ORF	(1,500)	0	0	0
Total, NOAA Transfers	69,609	68,832	68,900	68

	<u>1993</u>	<u>1994</u>	<u>1995 Estimate</u>	<u>Increase (Decrease)</u>
Portion applied to debt reduction				
Federal Ship Financing Fund	(\$1,846)	\$0	\$0	\$0
Obligation Limitation: Coastal zone management fund	(3,064)	0	0	0
Borrowing Authority				
Federal Ship Financing Fund	<u>0</u>	<u>5,000</u>	<u>0</u>	<u>(5,000)</u>
TOTAL BUDGET AUTHORITY: (Federal Funds)	1,717,537	1,991,633	1,963,892	(27,741)
TOTAL BUDGET AUTHORITY (All Funds)	1,717,537	1,991,633	1,963,892	(27,741)

PERMANENT POSITIONSAppropriation:

Operations, research and facilities	13,100	12,515	12,471	(44)
Fleet modernization, shipbuilding and conversion	16	16	16	0
Construction	5	5	5	0
Coastal zone management fund	0	0	0	0
Fisheries promotional fund	0	0	0	0
Promote and develop American fisheries	0	0	0	0
Fishing vessel and gear damage compensation fund	4	4	4	0
Fisherman's contingency fund	1	1	1	0
Foreign fishing observer fund	5	5	5	0
Fishing vessel obligations guarantees	0	0	0	0
Federal ship financing fund	0	0	0	0
TOTAL:	13,131	12,546	12,502	(44)

HIGHLIGHTS OF PROGRAM CHANGES

	Permanent Positions	<u>Base</u>	<u>Increase/(Decrease)</u>	
		Amount	Permanent Positions	Amount
Operations, Research and Facilities				
<u>Advance Short–Term</u>				
<u>Forecasts & Warnings</u>				
Advance Short–Term Base				
Funding	4,698	\$452,222	(127)	(\$13,264)

Increased funding is requested to maintain current operations at the NWS national centers (0 pos./ +\$2,228); for GOES product development (-1 pos./ +\$1,547); to establish permanent funding for the SPO executive staff (0 pos./ +\$1,414); and to support on-going atmospheric and hydrological research efforts (0 pos./ +\$176).

Decreases are proposed as follows: in base operations NOAA will terminate activities that no longer contribute to the Agency's mission (-114 pos./ -\$15,000); and in the Susquehanna River flood system (0 pos./ -\$231).

Funds are no longer required for repair of the American Samoa weather facilities (0 pos./ -\$200).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 12 positions and \$3,198 have been allocated to this NOAA Strategic Plan element.

Complete NWS Modernization	953	388,445	186	30,658
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Increased funding is requested in the Modernization and Associated Restructuring Demonstration and Implementation (MARDI) program to support temporary staff augmentation requirements of the modernization (+186 pos./ +\$45,457); in the Geostationary Operational Environmental Satellite (GOES) program to continue the acquisition of spacecraft, launches, and ground systems (0 pos./ +\$17,441); in the Advanced Weather Interactive Processing System and NOAAPort program (AWIPS/NOAAPort) to continue the Development Phase contract (0 pos./ +\$5,986); and to continue supercomputer operations at the National Meteorological Center (0 pos./ +\$5,874).

Decreases are requested in the following programs reflecting progress made in the respective modernization programs as they near completion: Next Generation Weather Radar (NEXRAD) (0 pos./ -\$40,359); and the Automated Surface Observing Systems (0 pos./ -\$601).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$3,140 have been allocated to this NOAA Strategic Plan element.

Satellite Continuity	2	\$139,166	0	\$20,075
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An increase is requested in the Polar Operational Environmental Satellite (POES) program to support the continued acquisition of spacecraft, launches, and ground systems (0 pos. + \$20,444). Assumed in this request are savings derived from transferring operational and financial responsibility for the morning orbiter to the Europeans by the year 2000, no Federal savings from DOC/DOD/NASA program convergence are assumed in FY 1995.

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$369 have been allocated to this NOAA Strategic Plan element.

Enhance Observations & Prediction	494	59,560	(8)	(4,575)
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Increases are requested in Weather Research (0 pos./ +\$2,085) in order to maintain ongoing research efforts, and in NWS Local Warnings and Forecasts (0 pos./ +\$1,344) to commence the replacement of the old and obsolete NWS Radiosonde Upper-air Network. An increase is also requested for Solar Terrestrial Services and Research (0 pos./ +\$490) to allow for 24 hour per day, 7 days per week operations of NOAA's Space Environmental Services Center which provides space weather data, warnings and forecasts to Government agencies, industry, and the public.

No funds are requested for the following projects or programs: wind profilers demonstration project (0 pos./ -\$4,350); Federal /state weather modification grants (0 pos./ -\$3,000); the southeastern storm research program (0 pos./ -\$372); and for California observation buoys (0 pos./ -\$140).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 8 positions and \$632 have been allocated to this NOAA Strategic Plan element.

Build Sustainable U.S. Fisheries

Assessing the Status of Fisheries Resources

1,534

\$139,678

(83)

\$15,744

Increases are requested to enhance population assessment activities that will result in increased productivity of marine fisheries resources. Activities include enhancement of commercial (+28 pos./ +\$9,804) and recreational (+13 pos./ +\$4,600) fisheries harvest data; enhanced at-sea commercial fisheries observer coverage, completion of the IT-95 information management system (0 pos./ +\$5,500); additional in-situ population surveys of commercially important fisheries; and development of mathematical and statistical models and analyses to forecast fisheries population trends under a variety of management regimes (+7 pos./ +\$2,815).

A decrease is requested in the fisheries assessment component of the National Undersea Research Program (0 pos./ -\$3,300).

No funding is requested for the following projects or programs: Hawaiian Stock Management (0 pos./ -\$500), Atlantic Bluefin Tuna (0 pos./ -\$300), Center for Shark Research (0 pos./ -\$140), U.S./Canadian Lobster Study (0 pos./ -\$300), Smolt/squawfish (0 pos./ -\$100), and Fishery Observer Training (0 pos./ -\$150).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 131 positions and \$2,185 have been allocated to this NOAA Strategic Plan element.

Advancing Fishery Prediction

6

11,911

3

834

Increases are requested to advance fisheries population predictions. Areas of emphasis include: research and modelling of fisheries replenishment processes (0 pos./ +\$318); quantifying the effects of multispecies interactions; and development of next generation sampling systems (+3 pos./ +\$2,100).

A decrease is requested in the fisheries population dynamics segment of the National Undersea Research Program (0 pos./ -\$1,001).

No funds are requested for the Southeastern FOCI program (0 pos./ -\$500).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$83 have been allocated to this NOAA Strategic Plan element.

Managing for Economic Growth

370	\$44,876	0	\$8,734
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Increases are requested for the North Atlantic Fishery project (+15 pos./+\$2,000) to address the current crisis in the Northeast fisheries, and for implementation of controlled access regimes (+36 pos./+\$7,729).

A decrease is requested in the International Fisheries Commissions program (0 pos./-\$400)

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 40 positions and \$595 have been allocated to this NOAA Strategic Plan element.

Ensuring Adequate Compliance

143	12,494	25	4,392
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An increase is requested to enhance enforcement activities in each of the National Marine Fisheries Service's regions due to implementation of control access regimes (+28 pos./+\$4,605).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 3 positions and \$213 have been allocated to this NOAA Strategic Plan element.

Reducing Bycatch

17	6,236	0	(721)
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No funds are requested for the Conservation Engineering and Bycatch project (0 pos./-\$700)

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$21 have been allocated to this NOAA Strategic Plan element.

Aquaculture

27	16,351	1	(10,502)
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An increase is requested to stimulate development of the U.S. Aquaculture industry (+2 pos./+\$1,125).

No funding is requested for the following projects or programs: Stuttgart Catfish Hatcheries (0 pos./-\$576), Mahi Mahi Exporting Strategies (0 pos./-\$750), and Columbia River Hatcheries (0 pos./-\$10,300).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 1 position and \$1 have been allocated to this NOAA Strategic Plan element.

Recover Protected Species

Reduce Marine Mammal/Fishery Interactions

53

\$5,179

3

\$1,975

An increase is requested (+3 pos./ +\$2,021) to improve understanding of the interactions between marine mammals and commercially important fish species. This research will produce fish harvesting methods that will reduce marine mammal mortality.

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$46 have been allocated to this NOAA Strategic Plan element.

Assess the Status of Protected Species

224

21,877

(18)

6,390

An increase is requested for additional information collection (+14 pos./ +\$6,560) on the status of marine mammals and endangered species. NOAA will also explore the value the U.S. Navy developed Sound Surveillance, and Surveillance Towed Array Sensor Systems in conducting these assessments.

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 32 positions and \$170 have been allocated to this NOAA Strategic Plan element.

Implement Conservation/ Recovery Plans

39

4,344

11

8,612

An increase is requested for the development and implementation of the conservation and recovery plans as required by the Endangered Species Act (+11 pos./ +\$8,804). Emphasis will be placed on salmon species in the Pacific Northwest and reducing the backlog of implementation plans.

No funding is requested for the Beluga Whale Committee (0 pos./ -\$192).

Take a Proactive Approach/ Prevent Listings

0

0

2

2,200

An increase is requested for the development of living marine resource management plans to avoid future listings under the Endangered Species Act. (+2 pos./ +\$2,200). Currently, 200 species of salmon are considered threatened.

Coastal Ecosystem Health

Integrate Management

Operations	210	\$69,032	(4)	\$2,388
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An increase is requested for the National Marine Sanctuary program (0 pos./ + \$3,000) for the designation and operations of sanctuaries; and the Habitat Conservation program (+10 pos./ + \$2,371) to increase the number of permit reviews for projects that have potentially detrimental effects on wetlands and increased research to develop technologies for ecosystem restoration.

No funds are requested for the following projects: Charleston SC Special Area Management Plan (0 pos./ – \$1,000); Hawaii Humpback Whale Sanctuary (0 pos./ – \$150); and Deep Sea Hardbed Mining (0 pos./ – \$1,519).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 14 positions and \$314 have been allocated to this NOAA Strategic Plan element

Comprehensive Assessment &

Synthesis	163	26,077	(4)	(619)
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An increase is requested for Estuarine and Coastal Assessment (0 pos./ + \$146) to support efforts that will result in improved assessments of ecosystems.

No funds are requested for the following project: South Carolina Wetland Demonstration (0 pos./ – \$500).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 4 positions and \$265 have been allocated to this NOAA Strategic Plan element.

Expanded Ecosystems

Monitoring	61	5,060	(1)	(62)
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As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 1 position and \$62 have been allocated to this NOAA Strategic Plan element.

Improved Understanding

359	67,269	(1)	(10,461)
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Decreases are proposed as follows: Sea Grant Zebra Mussel program (0 pos./ – \$2,700); Ocean Assessment Program (0 pos./ – \$444); and the coastal ecosystems portion of the National Undersea Research Program (0 pos./ – \$5,399).

No funds are requested for the following projects or programs: Maui Algal Bloom Crisis (0 pos./–\$400); GLERL Zebra Mussel (0 pos./–\$911); and Lake Champlain (0 pos./–\$290)

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 1 position and \$317 have been allocated to this NOAA Strategic Plan element.

Increased Outreach	1	\$2,565	0	(\$1,201)
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A decrease is requested in the Sea Grant Zebra Mussel program (0 pos./–\$100).

No funds are requested for the National Coastal Research and Development Institute (0 pos. /–\$1,100).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$1 have been allocated to this NOAA Strategic Plan element.

Education & Human Resources

Education	3	4,548	8	6,807
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An increase is requested for the Global Learning and Observations to Benefit the Environment (GLOBE) program (+8 pos./+\$7,000).

No funds are requested for the Pacific Island Technical Assistance program (0 pos./–\$190).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$3 have been allocated to this NOAA Strategic Plan element.

Environmental Technology

Marine Biotechnology	31	14,778	0	(304)
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A decrease is requested in the biotechnology portion of the National Undersea Research Program (0 pos./–\$300).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$4 have been allocated to this NOAA Strategic Plan element.

Modernize Navigation & Positioning Services

Navigation Data Products & Services

585	\$58,416	(11)	(\$1,344)
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An increase is requested to support nautical survey improvements and the production of digital electronic chart data to produce electronic charts that will respond to user requirements (0 pos./ +\$645).

No funds are requested for the following projects or programs: World Aeronautical Charts (0 pos./ - \$300), consolidation of the Pacific Hydrography Center (0 pos./ - \$350), and observation buoys in the Chesapeake Bay (0 pos./ - \$400). The World Aeronautical Charts will be funded through increased fees to the users.

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 11 positions and \$939 have been allocated to this NOAA Strategic Plan element.

National Spatial Reference System

172	20,376	(5)	(1,044)
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An increase is requested for NOAA's Geodesy program to initiate the modernization of the Spatial Reference System (0 pos./ +\$1,064).

No funds are requested for the following projects: SC cooperative geodetic survey (0 pos./ - \$554), and the multi-purpose cadastre land information system (0 pos./ - \$1,200).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 5 positions and \$354 have been allocated to this NOAA Strategic Plan element.

Implement Seasonal to Interannual Climate Forecasts

Prediction Systems (Research & Operations)

97	15,701	(1)	5,659
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Increases are requested for the Climate and Global Change program (0 pos./ +\$8,100) and for Marine Predictions (0 pos./ +\$697). These increases will support research and the establishment on an operational climate prediction capability for seasonal to interannual climate conditions.

No funds are requested for the Regional Climate Centers (0 pos./ - \$3,000).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 1 position and \$138 have been allocated to this NOAA Strategic Plan element.

TOGA Observing System	1	\$0	(1)	\$2,000
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Increases are requested for the Climate and Global Change program (0 pos./+\$2,000) for implementing the Global Ocean Observing System (GOOS). This operational system will provide the outgrowth of the research investment already made in the Tropical Oceans–Global Atmosphere (TOGA) program.

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 1 position and \$0 have been allocated to this NOAA Strategic Plan element.

Other Observing and Data Systems	5	4,706	0	(3)
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As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$3 have been allocated to this NOAA Strategic Plan element.

Data Management	323	28,221	(6)	2,052
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An increase is requested for the handling of the increased data streams currently being generated from NOAA's modernized platforms, primarily GOES and NEXRAD (0 pos./+\$2,444).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 6 positions and \$392 have been allocated to this NOAA Strategic Plan element.

Process Research	148	31,712	(1)	4,400
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Increases are requested in the Climate and Global Change program (0 pos./+\$4,585) for research related to the Global–Oceans–Atmosphere–Lands System (GOALS) program and the Global Energy and Water Cycle Experiment (GEWEX) project.

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 1 position and \$185 have been allocated to this NOAA Strategic Plan element.

Predict and Assess Decadal –to– Centennial Change

Climate & Global Change	387	\$79,393	(10)	(\$1,338)
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Increases are requested for the Climate and Global Change program (0 pos./ +\$6,300) and for long–term climate and air quality research (0 pos./ +\$1,446). The Climate and Global Change increase will accelerate research of long term climate and global change processes by focusing on forcing agents, climate related processes, and predictions and assessments. The funds requested for long–term climate and air quality research will enhance ongoing research and monitoring programs.

A decrease is requested for the portion of the National Undersea Research Program included in this element (0 pos. /–\$6,194).

No funds are requested for the VENTS project (0 pos./–\$2,496). This program will be funded under the U.S. Global Change Research Program (USGCRP).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 10 positions and \$394 have been allocated to this NOAA Strategic Plan element.

Health of the Atmosphere	0	1,453	5	2,485
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An increase is requested to support research designed to provide the scientific basis for implementing the Clean Air Act of 1990, as well as understanding high surface ozone episodes in rural areas and establishing a U.S. network to monitor changes in air quality (+5 pos./ +\$2,500).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$15 have been allocated to this NOAA Strategic Plan element.

Insuring a Long – Term

Climate Record	66	12,248	0	(105)
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As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$105 have been allocated to this NOAA Strategic Plan element.

National Undersea Research

Program	8	1,909	(8)	(1,909)
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A decrease is requested the National Undersea Research Program (–8 pos. /–\$1,908).

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$1 have been allocated to this NOAA Strategic Plan element.

Environmental Information

Network Connectivity	0	\$582	0	\$7,744
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An increase is requested to connect NOAA's National Data Centers and Centers of Data to the Internet (0 pos./ +\$7,750). This connection will greatly increase NOAA's ability to disseminate real time and archived environmental data and information to a broad range of users in the U.S.

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$6 have been allocated to this NOAA Strategic Plan element

Advanced Computational Systems	0	474	0	6,196
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An increase is requested for the acquisition of a high performance computing system at the NOAA Geophysical Fluid Dynamics Laboratory (0 pos./ +\$6,200) in support of weather forecast and climate and global change modeling.

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 0 positions and \$4 have been allocated to this NOAA Strategic Plan element.

Data Dissemination Pilots and Tools	0	0	0	502
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An increase is requested for a pilot program designed to provide improved access by the private sector, academic researchers, educators, and the general public to geographically distributed environmental data (0 pos./ +\$502).

Office of Administration

	1,345	72,450	(22)	(94)
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Increases are requested for Executive Administration (0 pos./ +\$208); and Central Administration (0 pos. /+\$1,244) to accommodate the increased administrative requirements resulting from proposed initiatives.

As directed in Executive Orders 12837 and 12839, reductions for FTE savings and administrative services total 304 positions and \$15,701 for the Operations, Research and Facilities Appropriation. Decreases of 22 positions and \$1,546 have been allocated to this NOAA Strategic Plan element.

Other Appropriation Accounts

Fishing vessel and gear damage fund

Build Sustainable U.S. Fisheries

Managing for Economic

Growth	4	\$1,274	0	(51)
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This fund provides compensation to fishing vessel owners who sustain losses or damage to their gear or vessels while engaged in fishing, provided that the loss is attributable to any foreign vessel, crew, or gear. A decrease is requested for administrative services (0 pos./ –\$1).

Fisherman's contingency fund

Build Sustainable U.S. Fisheries

Managing for Economic

Growth	1	999	0	0
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This fund is used to compensate domestic fisherman for the damage or loss of fishing gear and any resulting economic loss due to natural or man-made obstructions related to oil and gas development and exploration in the outer Continental Shelf.

Foreign fishing observer fund

Build Sustainable U.S. Fisheries

Managing for Economic

Growth	5	557	0	(157)
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This fund is financed through fees collected from foreign governments with fishing vessels within the exclusive fishery jurisdiction of the U.S. The fund is used to pay salaries, administrative costs, data entry and other expenses associated with the placement of observers aboard foreign fishing vessels. Decreases are requested in the following areas: administrative service (0 pos./ –\$15) and a program reduction reflecting anticipated reduced activity (0 pos./ –\$142).

Promote and develop...
American fisheries

Build Sustainable U.S. Fisheries

Managing for Economic Growth	0	\$7,144	0	(\$744)
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Balances in this fund are proposed to be used for Saltonstall–Kennedy grants for fisheries development in FY 1995. Specific emphasis will be placed on biotechnology, aquaculture, and gear technology. The decrease in this account reflects an increase in the amount of funds transferred to ORF.

**Fishing vessel obligation
guarantee fund**

Build Sustainable U.S. Fisheries

Managing for Economic Growth	0	459	0	(459)
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The President's Budget proposes termination of this program in FY 1995 (0 pos.; –\$459). This program's objectives have been accomplished and continued funding is no longer required.

**Damage assessment and
restoration revolving fund**

Coastal Ecosystem Health

Comprehensive Assessment & Synthesis	0	(1,500)	0	0
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Funds will be transferred to the Operations, Research and Facilities account for purposes of damage assessment and restoration. This fund receives proceeds from claims against responsible parties as determined through court settlements or agreements for both damage assessment and restoration costs.

Fleet modernization, shipbuilding and conversion

Fleet Replacement and Modernization

16	\$77,082	0	(\$54,042)
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Decreases are requested in the following areas: administrative services (0 pos./ –\$42) and shipbuilding (0 pos./ –\$54,000). Emphasis in the program in the early years will be on repairing—to—extend service life, or converting existing vessels from other agencies where feasible, with replacement occurring in subsequent years.

Construction

5	112,503	0	(76,306)
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This account contains the costs associated with the maintenance, construction, and consolidation of all NOAA facilities. Also included, are costs pertaining to NOAA's on—going environmental compliance program.

Advance Short—Term Forecasts & Warnings Complete NWS Modernization

A decrease is proposed for Weather Forecast Office (WFO) construction as activity is declining as the modernization program proceeds towards completion (0 pos./ –\$47,285).

A decrease is requested for administrative services (0 pos./ –\$2).

Environmental Compliance & Facilities Construction

An increase is requested to address additional environmental compliance requirements (0 pos./ +\$2,000).

Decreases are requested in the following areas: Silver Spring Consolidation (0 pos./ –\$21); Boulder Laboratory Consolidation (0 pos./ –\$441); NOAA Facilities Maintenance (0 pos./ –\$2,500); and Research Facilities Maintenance (0 pos./ –\$2,751).

No funds are requested for the following projects: Alaska Fisheries Center (0 pos./ –\$500); Boston Biotechnology Innovation Center (0 pos./ –\$1,000); Mystic CT. Maritime Education and Research Center (0 pos./ –\$1,000); Columbia River facilities (0 pos.; –\$8,200); Multi—Species Aquaculture Center (0 pos./ –\$1,000); National Estuarine Research Reserves (0 pos./ –\$5,000); the Newport Marine Science Center (0 pos./ –\$1,800); Lafayette, LA Fisheries Laboratory (0 pos./ –\$2,000); Ruth Patrick Science Center Aiken, SC (0 pos./ –\$1,000); Indiana State University Center (0 pos./ –\$1,395); Oxford, MD Fisheries Laboratory (0 pos./ –\$750); Charleston, SC Fisheries Laboratory (0 pos./ –\$683); Monitor Marine Museum (0 pos./ –\$800); and Beaufort, NC Fisheries Laboratory (0 pos./ –\$178).

Comparison of Appropriation by Activity

OPERATIONS, RESEARCH AND FACILITIES

	1994 Currently Available		1995 Base		1995 Estimate		Increase, (Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
ADVANCED SHORT-TERM FORECASTS:								
Short-Term Base Funding	4 698	\$431,506	4 698	\$452,222	4,571	\$438,958	(127)	(\$13,264)
Complete NWS Modernization	953	388,445	953	388,445	1 139	419,103	186	30,658
Satellite Continuity	2	139,162	2	139,166	2	159,241	0	20,075
Enhanced Observation & Prediction	494	57,184	494	59,560	486	54,985	(8)	(4,575)
Improved Application & Dissemination	0	761	0	774	0	774	0	0
Subtotal obligation	6,147	1,017,058	6,147	1,040,167	6,198	1,073,061	51	32,894

Build Sustainable U.S. Fisheries:

Assessing the Status of Fisheries Resources	1 534	135,494	1 534	139,678	1,451	138,122	(83)	15,544
Advancing Fishery Prediction	6	11,688	6	11,911	9	12,745	3	834
Managing for Economic Growth	3/2	43,537	3/2	44,575	383	53,309	11	8,734
Ensuring Adequate Compliance	143	12,000	143	12,494	168	16,886	25	4,392
Reducing Bycatch	17	6,157	17	6,236	17	5,515	0	(721)
Aquaculture	27	16,313	27	16,351	28	5,849	1	(10,502)
Subtotal obligations	2,099	225,189	2,099	231,245	2,056	249,726	(43)	18,481

Recovering Protected Species:

Reduce Marine Mammal/Fishery Interactions	53	5,137	53	5,179	56	7,154	3	1,975
Assess the Status of Protected Species	224	21,642	224	21,877	206	28,267	(18)	6,390
Implement Recovery/Conservation Plans	39	4,344	39	4,344	50	12,956	11	8,612
Take Proactive Approach: Prevent Listing	0	0	0	0	2	2,200	2	2,200
Subtotal obligations	316	31,123	316	31,400	314	50,577	(2)	19,177

Coastal Ecosystem Health:

Integrate Management Operations	210	68,454	210	69,032	206	71,420	(4)	2,388
Comprehensive Assessment & Synthesis	163	18,668	163	26,077	159	25,458	(4)	(619)
Expanded Ecosystem Monitoring	61	4,952	61	5,060	60	4,998	(1)	(62)
Improved Understanding	359	66,944	359	67,269	358	56,808	(1)	(10,461)
Increased Outreach	1	2,521	1	2,565	1	1,364	0	(1,201)
Subtotal obligations	794	161,539	794	170,003	784	160,048	(10)	(9,955)

Education & Human Resources:

Human Resources	0	0	0	0	0	0	0	0
Education	3	4,467	3	4,548	11	11,355	8	6,807
Subtotal obligations	3	4,467	3	4,548	11	11,355	8	6,807

	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate		(Decrease)	
	Perm.	Pos.	Amount	Perm.	Pos.	Amount	Perm.	Pos.
Environmental Technology								
Implement Pilot Programs	0		\$0	0		\$0	0	\$0
Marine Biotechnology	31		14,623	31		14,778	0	(304)
Subtotal obligations	31		14,623	31		14,778	0	(304)
Modernize Navigation & Positioning Services								
Navigation Data Products & Services	585		56,674	585		58,416	(11)	(1,344)
National Spatial Reference System	172		19,654	172		20,376	(6)	(1,044)
Subtotal obligations	757		76,328	757		78,792	(16)	(2,388)
Implement Seasonal to Interannual Climate Forecasts								
Prediction Systems (Research & Oper.	97		15,347	97		15,701	(96)	5,659
TOGA Observing Systems	1		0	1		0	(1)	2,000
Other Observing & Data Systems	5		4,700	5		4,706	0	(3)
Other Observing & Data Systems (Data)	323		27,600	323		28,221	(6)	2,052
Process Research	148		31,375	148		31,712	(1)	4,400
Subtotal obligations	574		79,022	574		80,340	(9)	14,108
Predict and Assess Decadal to Centennial Change								
Climate and Global Change	387		77,772	387		79,393	(10)	(1,338)
Health of the Atmosphere	0		1,376	0		1,453	5	2,485
Insuring a Long-Term Climate Record	66		11,932	66		12,248	0	(105)
National Underseas Research Program	8		1,908	8		1,909	0	(1,909)
Subtotal obligations	461		92,988	461		95,003	(13)	(867)
Environmental Information								
Networking Connectivity	0		550	0		582	0	7,744
Advanced Computational Systems	0		450	0		474	0	6,196
Data Dissemination Pilots & Tools	0		0	0		0	0	502
Subtotal obligations	0		1,000	0		1,056	0	14,442
Office of Administration	1,333		70,706	1,345		72,450	(22)	(94)
Total Direct Obligations:	12,515		1,774,043	12,527		1,819,782	(56)	92,301
Reimbursable Obligations	1,260		368,232	1,260		368,232	(20)	(51,997)
Total Obligations:	13,775		2,142,275	13,787		2,188,014	(76)	40,304

	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate			
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Financing								
Unobligated balance, start of year								
Recoveries of prior year obligations		(\$22,990)		(\$15,000)		(\$15,000)	0	\$0
Offsetting collections from								
Federal funds	(1,260)	(331,427)	(1,260)	(331,427)	(1,240)	(280,626)	20	50,801
Non-Federal sources		(36,805)		(36,805)		(35,609)	0	1,196
Trust funds		0		0		0	0	0
Subtotal, financing	(1,260)	(391,222)	(1,260)	(383,232)	(1,240)	(331,235)	20	51,997
TOTAL BUDGET AUTHORITY:	12,515	1,751,053	12,527	1,804,782	12,471	1,897,083	(56)	92,301
TRANSFERS								
From "Promote and develop ...								
American fisheries"		(54,800)		(54,800)		(55,500)	0	(700)
From "Damage assessment & restoration revolving fund"		(1,500)		(8,500)		(8,500)	0	0
Subtotal, Transfers	0	(56,300)	0	(63,300)	0	(64,000)	0	(700)
TOTAL APPROPRIATION (ORF):	12,515	1,694,753	12,527	1,741,482	12,471	1,833,083	(56)	91,601

Summary of Changes from 1994 Appropriation

NATIONAL OCEANIC AND ATMOSPHERIC

ADMINISTRATION

1995 Estimate

Detailed

Summary

OPERATIONS, RESEARCH AND FACILITIES

Perm Pos

Amount

Perm Pos

Amount

Appropriation, 1994

12,515

\$1,694 /53

ADJUSTMENTS TO BASE

TRANSFERS and FINANCING

From "Promote and develop American fisheries" \$54,800
 From "Damage assessment & restoration revolving fund" 8,500
 To Working Capital Fund (7) 0
 From Working Capital Fund 5 0
 To Construction (2,800)
 To NTIA GOES-3 (65)
 Obligations 22,990
 Subtotal, transfers and financing (2) 83,425

OTHER COST CHANGES

Salaries and benefits:

FY 1995 Pay Raise 8,690
 One less compensable day (2,511)
 Locality Pay 14,250
 Longevity increase for NOAA Corps 140
 Within-grade step increase 6,237
 Variable Housing Allowance for Officers 126
 Overtime 63
 Sunday Differential 681
 Civil Service Retirement System (CSRS) (1,287)
 Federal Employees Retirement System (FERS) 2,248
 Thrift Savings Plan 354
 Federal Insurance Contributions Act (FICA) - OASDI 933
 Health insurance premium 2,932
 Employees' Compensation Fund 823

Other objects:

Travel and Transportation 1,475
 Rental payments to GSA 581
 Rental payments to others 418
 Communications, utilities & misc charges 235
 Printing and reproduction 329
 Other services
 Working Capital Fund 219
 Auditing Services 14 964
 Other services 1,370
 Supplies and materials 893
 Equipment 301
 Grants 1,140
 Subtotal, other cost changes 41,604 14 41,604

TOTAL, ADJUSTMENTS TO BASE

12

125,629

1995 base

12,527

1,819,782

	1995 Estimate			
	Detailed		Summary	
	Perm_Pos	Amount	Perm_Pos	Amount
ADJUSTMENTS				
Personnel savings	(304)	(\$6 870)		
Administrative savings		(8 831)		
Subtotal: adjustments			(304)	(\$15 701)
Program changes			<u>248</u>	<u>108,002</u>
TOTAL REQUIREMENTS			12 471	1,912 083
TRANSFERS and FY 1995 FINANCING				
Transfer from "Promote and develop American fisheries"				(55 500)
From "Damage Assessment and Restoration Revolving Fund"				(8 500)
Deobligations				<u>(15 000)</u>
TOTAL, TRANSFERS AND FINANCING				<u>(79,000)</u>
1995 APPROPRIATION			12 471	1,833 083

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION <u>Coastal zone management fund</u>	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate			
	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount
REIMBURSABLE OBLIGATIONS								
Coastal zone management activities	0	\$1,800	0	\$1,800	0	\$1,800	0	\$0
TOTAL OBLIGATIONS	0	1,800	0	1,800	0	1,800	0	0
FINANCING								
Unobligated balance, start of year		(11,255)		(11,255)		(11,255)	0	0
Unobligated balance, end of year		11,255		11,255		11,255	0	0
Offsetting collections from								
Non-Federal sources		(7,800)		(7,800)		(7,800)	0	0
Subtotal, financing	0	(7,800)	0	(7,800)	0	(7,800)	0	0
TOTAL BUDGET AUTHORITY	0	0	0	0	0	0	0	0

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION <u>Fisheries promotional fund</u>	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate			
	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount
DIRECT OBLIGATIONS								
Fisheries promotion	0	\$138	0	\$0	0	\$0	0	\$0
FINANCING								
Unobligated balance, start of year		(138)		0		0	0	0
TOTAL BUDGET AUTHORITY	0	0	0	0	0	0	0	0
TRANSFERS								
From "Promote and develop American fisheries"		0		0		0	0	0
TOTAL APPROPRIATION	0	0	0	0	0	0	0	0

Summary of Changes from 1994 Appropriation

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION <u>Fisheries promotional fund</u>	1995 Estimate			
	Detailed		Summary	
	Perm Pos	Amount	Perm Pos	Amount
Appropriation currently available, 1993			0	\$0
Adjustments to base and built-in changes			0	0
Program change			0	0
1995 APPROPRIATION			0	0

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	1994		1995		1995		Increase	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Promote and develop fishery products and research pertaining to American fisheries								
DIRECT OBLIGATIONS								
Unobligated balance, start of year	0	\$0	0	\$0		\$0	0	\$0
Saltonstall-Kennedy grants		7,144		7,144		6,400	0	(744)
TOTAL DIRECT OBLIGATIONS		7,144	0	7,144	0	6,400	0	(744)
FINANCING								
Unobligated balance, start of year		0		0		0	0	0
TOTAL BUDGET AUTHORITY	0	7,144	0	7,144	0	6,400	0	(744)
TRANSFERS								
From Department of Agriculture		(61,944)		(61,944)		(61,900)	0	44
To: Operations, research, and facilities		54,800		54,800		55,500	0	700
To: Fisheries promotional fund		0		0		0	0	0
TOTAL APPROPRIATION		0	0	0	0	0	0	0

Summary of Changes from 1994 Appropriation

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Promote and develop fishery products and research pertaining to American fisheries				
Appropriation currently available, 1994			0	\$0
Program change			0	0
1995 APPROPRIATION			0	0

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	1994		1995		1995		Increase	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Fishing vessel and gear damage compensation fund</u>								
DIRECT OBLIGATIONS								
Administrative expenses	4	\$376	4	\$238	4	\$237	0	(\$1)
Payment of claims		1,571		1,036		1,036	0	0
TOTAL DIRECT OBLIGATIONS	4	1,947	4	1,274	4	1,273	0	(1)
FINANCING								
Unobligated balance, start of year		(674)		0		0	0	0
TOTAL APPROPRIATION	4	1,273	4	1,274	4	1,273	0	(1)

Summary of Changes from 1994 Appropriation

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Fishing vessel and gear damage compensation fund.

	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Appropriation currently available, 1994			4	\$1,273
Adjustments to base and built-in changes				1
Program Changes				(1)
1995 APPROPRIATION			4	1,273

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Fisherman's contingency fund.

DIRECT OBLIGATIONS:

	1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Administrative expenses	1	\$85	1	\$89	1	\$89	0	\$0
Payment of claims		1,915		910		910	0	0
TOTAL DIRECT OBLIGATIONS:	1	2,000	1	999	1	999	0	0

FINANCING:

Unobligated balance, start of year		(1,001)		0			0	0
TOTAL APPROPRIATION:	1	999	1	999	1	999	0	0

Summary of Changes from 1994 Appropriation

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Fisherman's contingency fund.

	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Appropriation currently available, 1994			1	\$999
Adjustments to base and built-in changes			0	0
1995 APPROPRIATION:			1	999

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Foreign fishing observer fund.

DIRECT OBLIGATIONS:

Foreign fishing observer fund	5	\$930	5	\$557	5	\$400	0	(\$157)
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FINANCING:

Unobligated balance, start of year		(380)					0	0
TOTAL APPROPRIATION:	5	550	5	557	5	400	0	(157)

Summary of Changes from 1994 Appropriation

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION <u>Foreign Fishing Observer Fund</u>	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Appropriation currently available, 1994			5	\$550
Adjustments to base and built-in changes				
Administration & Personnel Reductions				(15)
Program Changes			0	(142)
1995 APPROPRIATION			5	\$493

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION <u>Damage assessment and restoration revolving fund (DAREF)</u>	1994		1995		1995		Increase, (Decrease)	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
DIRECT OBLIGATIONS								
DAREF	0	\$567	0	\$0	0	\$0	0	\$0
TOTAL OBLIGATIONS	0	567	0	0	0	0	0	0
FINANCING								
Unobligated balance, start of year	0	(13,183)	0	0	0	0	0	0
Offsetting collections	0	(10,292)	0	(1,500)	0	(1,500)	0	0
TOTAL BUDGET AUTHORITY	0	(22,908)	0	(1,500)	0	(1,500)	0	0
TRANSFERS								
From Interior	0	(6,888)	0	(7,000)		(7,000)	0	0
To ORF	0	29,796	0	8,500		8,500	0	0
TOTAL APPROPRIATION	0	0	0	0	0	0	0	0

Summary of Changes from 1994 Appropriation

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION <u>Damage assessment and restoration revolving fund</u>	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Appropriation currently available, 1994			0	\$0
Adjustments to base and built-in changes			0	0
1995 APPROPRIATION			0	0

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate			
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Federal ship financing fund,</u>								
<u> <u>fishing vessels</u></u>								
DIRECT OBLIGATIONS:								
Support services		\$1,694		\$0		\$0	0	\$0
Disbursements for loan guarantee claims		12,377		0		0	0	0
TOTAL DIRECT OBLIGATIONS	0	14,071	0	\$0	0	\$0	0	0
FINANCING:								
Par Value		(3,135)						
Offsetting collections from								
Non-Federal sources		(5,600)		0		0	0	0
Unobligated balance, start of year		(336)		0		0	0	0
Subtotal, financing	0	(9,071)	0	0	0	0	0	0
AUTHORITY TO BORROW	0	5,000	0	0	0	0		

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate			
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Geostationary Operational</u>								
<u> <u>Environmental Satellite</u></u>								
<u> <u>contingency fund</u></u>								
DIRECT OBLIGATIONS								
GOES contingency fund	0	\$0	0	\$0	0	\$0	0	\$0
TOTAL OBLIGATIONS:	0	0	0	\$0	0	\$0	0	0
FINANCING:								
Unobligated balance, start of year		(75,016)		(75,016)		(75,016)	0	0
Unobligated balance, end of year		75,016		75,016		75,016	0	0
TOTAL BUDGET AUTHORITY	0	0	0	0	0	0	0	0
TOTAL APPROPRIATION	0	0	0	0	0	0	0	0

Summary of Changes from 1994 Appropriation

**NATIONAL OCEANIC AND
ATMOSPHERIC ADMINISTRATION**

Geostationary Operational Environmental
Satellite contingency fund

Appropriation currently available, 1994

Program change

1995 APPROPRIATION

1995 Estimate			
Detailed		Summary	
Perm Pos.	Amount	Perm Pos.	Amount
		0	\$0
		0	0

Comparison of Appropriation by Activity

**NATIONAL OCEANIC AND
ATMOSPHERIC ADMINISTRATION**

Fleet Modernization, shipbuilding
and conversion

DIRECT OBLIGATIONS

Fleet modernization

TOTAL OBLIGATIONS

FINANCING:

Unobligated balance, start of year

Transfer to other accounts

TOTAL APPROPRIATION

1994		1995		1995		Increase/ (Decrease)	
Currently Available		Base		Estimate			
Perm Pos.	Amount	Perm Pos.	Amount	Perm Pos.	Amount	Perm Pos.	Amount
16	\$100,266	16	\$77,064	16	\$23,040	0	(\$54,024)
16	100,266	16	77,064	16	23,040	0	(54,024)
	(23,202)					0	0
	0					0	0
16	77,064	16	77,064	16	23,040	0	(54,024)

Summary of Changes from 1994 Appropriation

NATIONAL OCEANIC AND

ATMOSPHERIC ADMINISTRATION

Fleet Modernization, shipbuilding
and conversion

Appropriation currently available, 1994

Adjustments to base and built-in changes

Administration & Personnel Reductions

Program change

1995 APPROPRIATION

1995 Estimate			
Detailed		Summary	
Perm Pos.	Amount	Perm Pos.	Amount
		16	\$77,064
			18
			(42)
			(\$4,000)
		16	23,040

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	1994		1995		1995		Increase	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Construction								
DIRECT OBLIGATIONS								
Facilities maintenance, construction and consolidation	5	\$125,105	5	\$109,703	5	\$36,197	0	(\$73,506)
TOTAL OBLIGATIONS	5	125,105	5	109,703	5	36,197	0	(73,506)
FINANCING								
Unobligated balance, start of year		(15,402)					0	0
Transfer to other accounts		0		0			0	0
TOTAL APPROPRIATION	5	109,703	5	109,703	5	36,197	0	(73,506)

Summary of Changes from 1994 Appropriation

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Appropriation currently available, 1994			5	\$109,703
Adjustments to base and built-in changes				2,800
Administration & Personnel Reductions				(2)
Program changes				(76,304)
1995 APPROPRIATION			5	36,197

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION	1994		1995		1995		Increase	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Fishing vessel obligation guarantee program								
DIRECT OBLIGATIONS								
Administrative expenses		\$0		\$0		\$0	0	\$0
Investments and loans		459		0		0	0	0
TOTAL OBLIGATIONS	0	459	0	0	0	\$0	0	0
FINANCING								
Unobligated balance, start of year							0	0
TOTAL APPROPRIATION	0	459	0	0	0	0	0	0

Summary of Changes from 1994 Appropriation

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Fishing vessel obligation</u>				
<u>guarantee program</u>				
Appropriation currently available, 1994			0	\$459
Adjustments to base and built-in changes				0
Program change				(459)
1995 APPROPRIATION			0	0

Comparison of Appropriation by Activity

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Aircraft Procurement</u>								
DIRECT OBLIGATIONS								
Aircraft Procurement	0	\$43,000	0	\$0	0	\$0	0	\$0
TOTAL OBLIGATIONS	0	43,000	0	0	0	0	0	0
<u>FINANCING</u>								
Unobligated balance, start of year	0	0	0	0	0		0	0
TOTAL APPROPRIATION	0	43,000	0	0	0	0	0	0

Summary of Changes from 1994 Appropriation

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Aircraft Procurement</u>				
Appropriation currently available, 1994			0	\$43,000
Adjustments to base and built-in changes				(43,000)
Program change				0
1995 APPROPRIATION			0	0

PATENT AND TRADEMARK OFFICE

The Patent and Trademark Office (PTO) is charged with administering the patent and trademark laws of the United States. PTO examines patent applications, grants patent protection to qualified inventions and disseminates technological information disclosed in patents. PTO also examines trademark applications and provides Federal registration to owners of qualified trademarks. In FY 1995, the Administration proposes that PTO be entirely funded through user fees.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase (Decrease)
FEDERAL FUNDS:				
Appropriation:				
Salaries and expenses	\$486,036	\$504,021	\$571,439	\$67,418
Funding Level				
Fee Collections	<u>(399,364)</u>	<u>(415,692)</u>	<u>(571,439)</u>	<u>(155,747)</u>
TOTAL APPROPRIATION	86,672	88,329	0	(88,329)*
GENERAL FUND:	0	0	0	0
SPECIAL FUND:	86,672	88,329	0	(88,329)*
OFFSETTING RECEIPTS:	99,000	103,000	0	(103,000)*

PERMANENT POSITIONS

Appropriation:

Salaries and expenses	5,291	5,314	5,385	71
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* Reflects technical proposal of crediting all user fees directly to PTO and does not reduce program level.

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	Permanent Positions	Amount	Permanent Positions	Amount
Patent process	3,124	\$328,022	76	\$19,308

An increase is requested for Automated Patent System (APS) initiatives which include the Patent Application Management system to automate the patent application process, the Classified Search and Image Retrieval system to continue to automate examiner search processes, and the automated Management and Administrative Systems to support core automated systems germane to patent examination (0 pos.; +\$15,369). An increase is requested for additional professional staff to handle the anticipated increase in patent applications from 179,000 cases in 1994 to 185,000 in 1995 and to maintain patent pendency at 18.9 months (+147 pos.; +\$5,150). An increase of funds is requested to contract out a portion of the patent examination technical support services and to expand overtime to achieve production and pendency goals (5 pos.; +\$1,674). An increase is requested for the enhancement of the quality promotion programs supportive of patent examination practices (+11 pos.; +\$1,220). A decrease is requested for administrative savings and FTE reductions (−77 pos.; −\$4,105).

Trademark process	492	38,738	30	1,324
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In 1995, PTO will fully fund current professional and clerical staff to meet the increase in trademark applications from 148,000 in 1994 to 157,000 in 1995 (+23 pos.; +\$956). An increase is needed to process the growing number of trademark appeal cases (+7 pos.; +\$290). Additional resources are required to print certificates of registration and cases published for opposition (0 pos.; +\$93). Pendency goals will be maintained at 3.0 months to first action and 13.8 months to registration/abandonment. A decrease is requested for administrative savings (0 pos.; −\$15).

Information dissemination	1,129	80,612	28	11,316
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Resources are requested for the pre-examination processing of growing trademark applications (+1 pos.; +\$445), the administrative review of applications filed under the Patent Cooperation Treaty (+23 pos.; +\$1,127), and to meet the overall increases in demand for PTO services from the public (+5 pos.; +\$326). A reduction is requested to realize savings from the automation of the assignment recordation function (−12 pos.; −\$596). Additional resources are requested for an anticipated increase in the volume of certificates of correction, offset by a reduced demand for patent copies sold to the public (+4 pos.; −\$531). In order to improve the integrity of patent search files, additional tools and data bases for such areas as biotechnology will be added (+7 pos.; +\$2,419). Finally, funds will provide Connectivity to the High Speed Computing and Communication Technology network for public access to PTO technology information and search services (0 pos., +\$8,186). A decrease is requested for administrative savings (0 pos.; −\$60).

Executive direction	506	90,616	0	1,703
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Funds are requested to improve support to all automated administrative and office automation systems throughout PTO (0 pos.; +\$1,030). An increase is requested to lease additional space for expanded PTO operations (0 pos.; +\$689). A decrease is requested for administrative savings (0 pos.; -\$16).

Offsetting collections	\$571,439	\$33,651
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Offsetting receipts	0	0
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In FY 1994, the trademark application fee was increased to \$245.00 in order to provide adequate resources to address increasing trademark workloads. Increases in FY 1994 patent fees were not required. It is estimated that PTO will collect \$571,439 thousand in offsetting fee collections. The Administration is proposing to credit all offsetting receipts directly to PTO.

Comparison of Appropriation by Activity

	1994			1995			1995			Increase/		
PATENT AND TRADEMARK OFFICE	Currently Available			Base			Estimate			(Decrease)		
Salaries and expenses	Perm	Pos	Amount	Perm	Pos	Amount	Perm	Pos	Amount	Perm	Pos	Amount
OBLIGATIONS												
Patent process	3	151	\$319,708	3	124	\$328,022	3	200	\$347,330	76		\$19,308
Trademark process		506	42,551		492	38,738		522	40,062		30	1,324
Information dissemination		1,142	75,583		1,129	80,612		1,157	91,928		28	11,316
Executive direction		515	97,761		506	90,616		506	92,319		0	1,703
TOTAL OBLIGATIONS:		5,314	535,603		5,251	537,988		5,385	571,639		134	33,651
FINANCING:												
Offsetting collections from												
Non - Federal sources (Fees)			(415,692)						(571,439)			
Federal funds			(200)						(200)			
Unobligated balance, start of year			(31,382)						0			
Subtotal, financing		0	(447,274)					0	(571,639)			
TOTAL BUDGET AUTHORITY:		5,314	88,329					5,385	0			
TOTAL APPROPRIATION:		5,314	88,329					5,385	0			
General Fund			0						0			
Special Fund			88,329						0			

Summary of Changes from 1994 Appropriation

	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
PATENT AND TRADE-MARK OFFICE				
Salaries and expenses				
APPROPRIATIONS				
General Fund				\$0
Special Fund				88,309
Fee Collections, 1994				415,692
Subtotal			5,314	\$504,021
ADJUSTMENTS TO BASE				
ADJUSTMENTS				
Restoration of FY 1994 reductions		\$14,671		
Transfer to WCF	(1)	0		
FTE Realignment	(132)	0		
Subtotal, adjustments			(133)	14,671
OTHER CHANGES				
Additional amount in FY 1995 to provide full-year cost of 1994 increases	63	2,976		
1994 Locality pay raise		9,160		
1995 Pay Raise		3,134		
Within - Grade step increases		3,178		
Change in Compensable Days		(1,092)		
Civil Service Retirement System (CSRS)		(479)		
Federal Employees Retirement System (FERS)		882		
Thrift Savings Plan (TSP)		137		
Federal Insurance Contributions Act (FICA)		412		
Health Insurance		1,047		
Employee Compensation Fund		1		
Rent payments to GSA		(341)		
Communications, Utilities, Misc		5		
Printing and reproduction		(1,094)		
Other Services		155		
Working Capital Fund		390		
CFO Act Audit Costs	7	461		
Supplies and materials		132		
Equipment		32		
Subtotal, other changes			70	19,096
TOTAL, ADJUSTMENTS TO BASE			(63)	33,767
1995 base			5,251	537,788
Administrative Savings			0	(286)
FTE Reductions			(77)	(3,910)
Program changes			211	37,847
TOTAL REQUIREMENTS			5,385	571,439
FEE COLLECTIONS, 1995				(571,439)
1995 BUDGET AUTHORITY			5,385	0

TECHNOLOGY ADMINISTRATION

Established by Congress in 1988, the Technology Administration (TA) consists of the Office of the Under Secretary which provides executive direction and leadership for TA's three component parts: the Office of Technology Policy (OTP), the National Institute of Standards and Technology (NIST), and the National Technical Information Service (NTIS). TA serves as the premier technology agency working with U.S. industry to address U.S. competitiveness issues and exercise leadership in civilian technology both within the Department of Commerce and government-wide.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase (Decrease)
FEDERAL FUNDS:				
<u>Appropriation:</u>				
Office of the Under Secretary/ Office of Technology Policy	\$4,450	\$5,700	\$11,262	\$5,562
NTIS Revolving Fund	8,000	0	18,000	18,000
National Institute of Standards and Technology	<u>384,007</u>	<u>520,210</u>	<u>935,000</u>	<u>414,790</u>
TOTAL APPROPRIATION	396,457	525,910	964,262	438,352
<u>Transfers Pursuant to P.L. 102-395:</u>				
Office of the Under Secretary/ Office of Technology Policy	186	0	0	0
NTIS Revolving Fund	(200)	0	0	0
National Institute of Standards and Technology	<u>(3,250)</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL BUDGET AUTHORITY	393,193	525,910	964,262	438,352

PERMANENT POSITIONS

<u>Appropriation:</u>	<u>1993</u>	<u>1994</u>	<u>1995 Estimate</u>	<u>Increase (Decrease)</u>
Office of the Under Secretary/ Office of Technology Policy	43	43	63	20
NTIS Revolving Fund	0	0	0	0
National Institute of Standards and Technology	<u>2,936</u>	<u>3,109</u>	<u>3,265</u>	<u>156</u>
TOTAL	2,979	3,152	3,328	176

TECHNOLOGY ADMINISTRATION

Office of the Under Secretary/ Office of Technology Policy

TA is headed by the Under Secretary for Technology who serves as a principal advisor to the Secretary and as the Department's spokesperson for civilian industrial technology. TA led the development of Commerce ACTS - Advanced Civilian Technology Strategy, which describes the Department's role in, and strategy for, its partnership with U.S. industry to promote globally competitive U.S. firms. The Office of Technology Policy is the policy arm of TA, focusing on programs designed to improve the competitiveness of U.S. industry, such as the National Medal of Technology, the Japan Technology Program, Manufacturing Technology Fellowships, and continued work through the interagency process to streamline Federal Technology Management systems.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase (Decrease)
FEDERAL FUNDS:				
Appropriation:				
Salaries and expenses	\$4,450	\$5,700	\$11,262	\$5,562
TOTAL APPROPRIATION	4,450	5,700	11,262	5,562
Transfer Pursuant to P.L. 102-395:				
Salaries and expenses	186	0	0	0
TOTAL BUDGET AUTHORITY	4,636	5,700	11,262	5,562
PERMANENT POSITIONS				
Appropriation:				
Salaries and expenses	43	43	63	20
TOTAL APPROPRIATION	43	43	63	20

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	Permanent Positions	Amount	Permanent Positions	Amount
Office of the Under Secretary/ Office of Technology Policy	48	\$5,810	15	\$5,452

Increased funding will be used: to support a strategic assessment of the U.S. manufacturing base, a Partnership for the New Generation of Vehicles (PNGV -- the President's "Clean Car" Initiative), and the interagency Council on Industrial Technology (CIT) (+5 pos., +\$1,692); to establish competitive benchmarks and strategic plans for certain industrial sectors (+5 pos., +\$1,873); and to support greater access to and use of foreign science and technology (+5 pos., +\$1,975). FTE and administrative savings will result in a decrease (0 pos., -\$88).

Comparison of Appropriation by Activity

	<u>1994</u>		<u>1995</u>		<u>1995</u>		<u>Increase/</u>	
	<u>Currently Available</u>		<u>Base</u>		<u>Estimate</u>		<u>(Decrease)</u>	
Office of the Under Secretary/ Office of Technology Policy								
<u>Salaries and expenses</u>	<u>Perm_Pos.</u>	<u>Amount</u>	<u>Perm_Pos.</u>	<u>Amount</u>	<u>Perm_Pos.</u>	<u>Amount</u>	<u>Perm_Pos.</u>	<u>Amount</u>
<u>DIRECT OBLIGATIONS</u>								
Under Secretary Office of Technology Policy	43	\$5,700	48	\$5,810	63	\$11,262	15	\$5,452
TOTAL DIRECT OBLIGATIONS	43	5,700	48	5,810	63	11,262	15	5,452
<u>REIMBURSABLE OBLIGATIONS</u>	0	559	0	559	0	559	0	0
TOTAL OBLIGATIONS	43	6,259	48	6,369	63	11,821	15	5,452
<u>FINANCING</u>								
Offsetting collections from								
Federal funds	0	(559)			0	(559)		
Subtotal, financing	0	(559)			0	(559)		
TOTAL BUDGET AUTHORITY:	43	5,700			63	11,262		
TOTAL APPROPRIATION:	43	5,700			63	11,262		

Summary of Changes from 1994 Appropriation

Office of the Under Secretary/ Office of Technology Policy	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Salaries and expenses				
Appropriation currently available, 1994			43	\$5,810
ADJUSTMENTS TO BASE				
OTHER CHANGES:				
Stay-in-school				
Less one compensable day		(\$11)		
Locality pay		94		
1995 Pay Raise		30		
Within-grade step increases		16		
Civil Service Retirement System (CSRS)		11		
Federal Employees Retirement System (FERS)		(73)		
Thrift Savings Plan		(4)		
Federal Insurance Contributions Act (FICA) - OASDI		(1)		
Health insurance premium		17		
Travel and Transportation		3		
Rent payments to GSA		(51)		
Rent payments to others		(1)		
Printing and reproduction		2		
Working Capital Fund		12		
Supplies and materials		2		
Equipment		2		
Subtotal, other changes			5	110
TOTAL, ADJUSTMENTS TO BASE			5	110
1995 base			48	5,810
Administrative Savings			0	(15)
FTE Savings			0	(73)
Program changes			15	5,540
TOTAL REQUIREMENTS			63	11,262
1995 APPROPRIATION			63	11,262

TECHNOLOGY ADMINISTRATION

National Technical Information Service

The National Technical Information Service (NTIS) collects scientific, technical, engineering and other business-related information from Federal and international sources and disseminates it to American business and the industrial research community. NTIS is largely a self-supporting agency, with routine operating costs paid out of revenues earned from the sale of information products and services.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	<u>1993</u>	<u>1994</u>	<u>1995 Estimate</u>	<u>Increase (Decrease)</u>
FEDERAL FUNDS:				
<u>Appropriation:</u>				
NTIS Revolving Fund	<u>\$8,000</u>	<u>\$0</u>	<u>\$18,000</u>	<u>\$18,000</u>
TOTAL APPROPRIATION	8,000	0	18,000	18,000
<u>Transfer Pursuant to P.L. 102-395:</u>				
NTIS Revolving Fund	<u>(200)</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL BUDGET AUTHORITY	7,800	0	18,000	18,000
<u>PERMANENT POSITIONS</u>				
<u>Appropriation:</u>				
NTIS Revolving Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL APPROPRIATION	0	0	0	0

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	<u>Permanent Positions</u>	<u>Amount</u>	<u>Permanent Positions</u>	<u>Amount</u>
NTIS Revolving Fund	0	\$0	0	\$18,000

This one-time initiative will facilitate implementation of the American Technology Preeminence Act of 1992 (P.L. 102-245). Commerce will facilitate public access through depository libraries, assist agencies in complying with the requirement for the timely transfer of Federally produced or financed technical information, and improve NTIS' information management and dissemination capabilities.

Comparison of Appropriation by Activity

	<u>1994</u>		<u>1995</u>		<u>1995</u>		<u>Increase/</u>	
	<u>Currently Available</u>		<u>Base</u>		<u>Estimate</u>		<u>(Decrease)</u>	
	<u>Perm. Pos.</u>	<u>Amount</u>	<u>Perm. Pos.</u>	<u>Amount</u>	<u>Perm. Pos.</u>	<u>Amount</u>	<u>Perm. Pos.</u>	<u>Amount</u>
Technology Administration								
NTIS Revolving Fund								
DIRECT OBLIGATIONS:								
TOTAL DIRECT OBLIGATIONS:	0	\$0	0	\$0	0	\$18,000	0	\$18,000
REIMBURSABLE OBLIGATIONS:	458	68,000	458	68,000	458	70,000	0	\$2,000
TOTAL OBLIGATIONS:	458	68,000	458	68,000	458	88,000	0	20,000
FINANCING:								
Unobligated balance, start of year		(1,975)				(1,975)		
Unobligated balance, end of year		1,975				1,975		
Offsetting collections from								
Federal funds	(128)	(19,040)			(128)	(19,600)		
Non-Federal funds	(330)	(48,960)			(330)	(50,400)		
Subtotal, financing	(458)	(68,000)			(458)	(70,000)		
TOTAL BUDGET AUTHORITY:	0	0			0	18,000		
TOTAL APPROPRIATION:	0	0			0	18,000		

Summary of Changes from 1994 Appropriation

	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
TECHNOLOGY ADMINISTRATION				
<u>NTIS Revolving Fund</u>				
Appropriation currently available, 1994			0	\$0
<u>ADJUSTMENTS TO BASE</u>				
TOTAL, ADJUSTMENTS TO BASE			0	0
1995 base			0	0
Program changes			0	18,000
TOTAL REQUIREMENTS			0	18,000
1995 APPROPRIATION			0	18,000

Comparison of Appropriation by Activity

	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Technology Administration								
<u>Information Products and Services</u>								
<u>DIRECT OBLIGATIONS</u>								
TOTAL DIRECT OBLIGATIONS	0	\$2	0	\$0	0	\$0	0	\$0
<u>FINANCING</u>								
Unobligated balance, start of year	0	(2)			0	0		
Subtotal, financing	0	(2)			0	0		
TOTAL BUDGET AUTHORITY:	0	0			0	0		
TOTAL APPROPRIATION:	0	0			0	0		

TECHNOLOGY ADMINISTRATION NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

The National Institute of Standards and Technology (NIST) promotes U.S. economic growth by working with industry to develop and apply technology, measurements, and standards. It carries out this mission through four major programs: the Advanced Technology Program, providing cost-shared grants to industry for development of high-risk technologies with significant commercial potential; a grassroots Manufacturing Extension Partnership, helping small- and medium-sized companies adopt new technologies, a strong laboratory effort, planned and implemented in cooperation with industry and focused on measurements, standards, verified data, and test methods; and, a highly visible industrial quality management program, associated with the Malcolm Baldrige National Quality Award.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase (Decrease)
FEDERAL FUNDS:				
<u>Appropriation:</u>				
Scientific and technical research and services	\$192,940	\$226,000	\$316,040	\$90,040
Industrial technology services	86,067	232,524	518,960	286,436
Construction of research facilities	<u>105,000</u>	<u>61,686</u>	<u>100,000</u>	<u>38,314</u>
TOTAL APPROPRIATION	384,007	520,210	935,000	414,790
Working capital fund	[876]	[3,870]	[14,735]	[10,865]
Transfer Pursuant to P.L. 102-395:				
Construction of research facilities	<u>(3,250)</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL BUDGET AUTHORITY	380,757	520,210	935,000	414,790

PERMANENT POSITIONS

<u>Appropriation:</u>	<u>1993</u>	<u>1994</u>	<u>1995 Estimate</u>	<u>Increase (Decrease)</u>
Scientific and technical research and services	1,616	1,864	2,000	136
Industrial technology services	122	209	240	31
Construction of research facilities	2	5	10	5
Working Capital Fund	1,196	1,031	1,015	(16)
TOTAL	2,936	3,109	3,265	156

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	<u>Permanent Positions</u>	<u>Amount</u>	<u>Permanent Positions</u>	<u>Amount</u>
<u>Scientific and technical research and services</u>				
Electronics and electrical engineering	265	\$30,353	(5)	(\$350)
Administrative and FTE savings will result in a decrease (-5 pos.; -\$350).				
Manufacturing engineering	139	14,427	19	17,848

A requested increase (+21 pos.; +\$18,000) will focus on precision manufacturing, assembly, and inspection; integrated tools for product and process engineering and enterprise design; and advanced manufacturing technology infrastructure. Administrative and FTE savings will result in a decrease (-2 pos.; -\$152).

**Chemical science and
technology**

210	\$23,871	10	\$8,938
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An increase (+ 7 pos.; +\$4,250) is requested to develop biotechnology modeling and the measurements needed by U.S. industry to accelerate commercialization of bioproducts through improved product design, process optimization, and quality assurance for novel food products, environmental applications, human therapeutics, and sensor technology. An increase (+ 7 pos.; +\$4,950) is requested for environmental technologies. Through cooperative research agreements with industry and other Federal agencies reference materials and databases, and the associated advanced measurement technologies will be developed and implemented through transfer to the private sector for use in reducing pollution and preserving critical resources. Administrative and FTE savings will result in a decrease (−4 pos.; −\$262).

Physics

212	27,828	(4)	(306)
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Administrative and FTE savings will result in a decrease (−4 pos.; −\$306).

**Materials science and
engineering**

320	45,313	23	16,406
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With the requested increase (+29 pos.; +\$16,800), NIST will emphasize technical issues related to design, synthesis, processing, performance, and measurement science of important materials. A unifying aim is to acquire the knowledge and tools needed for intelligent manufacturing methods with real-time automated controls. Administrative and FTE savings will result in a decrease (−6 pos.; −\$394).

**Building and fire
research**

104	13,400	(2)	(155)
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Administrative and FTE savings will result in a decrease (−2 pos.; −\$155).

Computer systems	258	\$30,348	80	\$38,115
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NIST requests an increase (+ 83 pos.; + \$38,304) to accelerate the development and deployment of high performance computing and networking technologies required for the National Information Infrastructure that will be the broad foundation for many new applications in education, libraries, manufacturing, and health care and to apply and test these technologies in a manufacturing environment. Specifically, NIST will expand and integrate programs in computer performance measurement, communications protocols, advanced software, electronics, opto-electronics, magnetic storage, and advanced manufacturing application R&D, and the development of the National Research and Education Network (NREN). Administrative and FTE savings will result in a decrease (-3 pos.; -\$189).

Applied mathematics and scientific computing	71	7,367	(1)	(96)
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Administrative and FTE savings will result in a decrease (-1 pos.; -\$96).

Technology assistance	94	10,087	12	4,580
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NIST requests an increase (+ 14 pos.; + \$4,700) for the International Trade, Standardization and Measurement Services program. NIST will work closely with the members of the U.S. and Foreign Commercial Service, the U.S. Science Counselors, U.S. Business Councils, U.S. Chambers of Commerce, and organizations of the host governments in key foreign posts to influence the adoption of U.S. technology into the measurement systems of our trading partners and into the international standards process. Administrative and FTE savings will result in a decrease (-2 pos.; -\$120).

Research support activities	186	27,340	9	726
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NIST requests an increase (+ 12 pos.; + \$1,000) to increase the number of National Research Council (NRC) Postdoctoral Associateships to parallel increases in the NIST intramural programs. This program provides a select group of young scientists and engineers an opportunity to pursue state-of-the-art research related to NIST's industry-oriented mission and provides NIST an effective method for identifying and retaining high quality scientists and engineers. Administrative and FTE savings will result in a decrease (-3 pos.; -\$274).

Industrial Technology Services

Advanced technology program	151	\$200,389	(3)	\$250,611
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NIST requests \$250.8 million to expand its cost-shared partnerships that are critical to long-term U.S. economic growth and industrial productivity. This increase would support the outyears for all active multi-year projects and initiate approximately 200 new projects selected on the basis of a rigorous competition that considers both the technical and business merits of the proposals. Individual companies and consortia would be funded in both general and in "program" competitions focusing on a set of business and technology goals. (0 pos.; +\$250,800). Administrative (0 pos.; -\$120) and FTE savings are anticipated (-3 pos.; -\$189).

**Technology transfer
and outreach**

58	33,295	34	34,665
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Increased funding (+21 pos.; +\$30,665) would accelerate the growth begun in FY 1994 in the Manufacturing Extension Partnership and is essential to achieve the Administration's goal of having NIST establish a nationwide network of over 100 manufacturing extension centers by 1997. NIST requests an increase (+13 pos.; +\$4,000) to expand the Baldrige Award eligibility categories to include education and health care.

Construction of Research Facilities**Construction and major
renovations**

10	67,078	0	32,922
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An increase (0 pos.; +\$32,922) will restore a reduction which took place in FY 1994 and allow construction to continue on schedule.

Comparison of Appropriation by Activity

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY - STRS	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate			
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Measurement and engineering research and standards:</u>								
<u>DIRECT OBLIGATIONS:</u>								
Electronics & electrical engineering	265	\$29,829	265	\$30,392	260	\$30,042	(5)	(\$350)
Manufacturing engineering	139	13,431	139	14,230	158	29,538	19	15,308
Chemical science & technology	210	22,372	210	23,925	220	30,008	10	6,083
Physics	212	27,179	212	27,968	208	27,662	(4)	(306)
Materials science & engineering	320	44,993	320	45,450	343	60,246	23	14,796
Building & fire research	104	13,232	104	13,467	102	13,312	(2)	(155)
Computer systems	258	27,966	258	30,216	338	63,176	80	32,960
Applied mathematics & scientific computing	71	7,140	71	7,403	70	7,307	(1)	(96)
Technology assistance	94	11,111	94	10,132	106	14,522	12	4,390
Research support activities	191	36,604	186	27,476	195	28,202	9	726
TOTAL OBLIGATIONS	1,864	233,857	1,859	230,659	2,000	304,015	141	73,356
<u>FINANCING:</u>								
Unobligated balance, start of year		(10,437)						
Prior-year recoveries						(1,000)		
Subtotal, financing	0	(10,437)			0	(1,000)		
TOTAL BUDGET AUTHORITY	1,864	223,420			2,000	303,015		
<u>TRANSFERS:</u>								
To Working capital fund		2,580				13,025		
TOTAL APPROPRIATION	1,864	226,000			2,000	316,040		

Summary of Changes from 1994 Appropriation

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY - STRS

Measurement and engineering research and standards

Appropriation, 1994

ADJUSTMENTS TO BASE

TRANSFERS AND FINANCING

To GA Working Capital Fund

To CRF

Subtotal, transfers

OTHER CHANGES

Less one compensable day

Locality pay

1995 pay raise

Within - grade step increases

Civil Service Retirement System (CSRS)

Federal Employees' Retirement System (FERS)

Thrift savings plan

Federal Insurance Contributions Act (FICA) - OASDI

Health insurance premium

Employees' Compensation Fund

Travel and transportation

Rental payments to others

Communications, utilities, and miscellaneous charges

Printing and reproduction

Other services

Supplies and materials

Equipment

Subtotal, other changes

TOTAL, ADJUSTMENTS TO BASE

1995 base

Administrative savings

FTE savings

Program changes

Transfer to Working Capital Fund

TOTAL REQUIREMENTS

Deobligations

TOTAL BUDGET AUTHORITY

Working Capital Fund transfer

1995 APPROPRIATION

1995 Estimate			
Detailed		Summary	
Perm. Pos.	Amount	Perm. Pos.	Amount
		1,864	\$226,000
(1)	\$0		
(5)	(5,153)		
		(6)	(5,153)
	(448)		
	4,432		
	1,417		
	1,003		
	(124)		
	228		
	35		
	68		
	474		
	(74)		
	132		
	2		
	358		
	15		
1	2,180		
	292		
	497		
		1	10,487
		(5)	5,334
		1,859	231,334
		0	(291)
		(32)	(2,007)
		173	88,004
			(13,025)
		2,000	304,015
			(1,000)
		2,000	303,015
			13,025
		2,000	316,040

Comparison of Appropriation by Activity

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY - ITS	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Extramural Programs</u>								
DIRECT OBLIGATIONS								
Advanced Technology Program	151	\$247,561	151	\$200,389	148	\$449,800	(3)	\$249,411
Technology transfer and outreach	58	39,831	58	33,235	92	67,450	34	34,215
TOTAL DIRECT OBLIGATIONS	209	287,392	209	233,624	240	517,250	31	283,626
<u>FINANCING</u>								
Unobligated balance, start of year	0	(56,158)			0	0		
Subtotal, financing	0	(56,158)			0	0		
TOTAL BUDGET AUTHORITY	209	231,234			240	517,250		
<u>TRANSFERS</u>								
To Working Capital Fund	0	1,290			0	1,710		
TOTAL APPROPRIATION	209	232,524			240	518,960		

Summary of Changes from 1994 Appropriation

NATIONAL INSTITUTE OF STANDARDS

AND TECHNOLOGY - ITS

Extramural Programs

Appropriation, 1994

ADJUSTMENTS TO BASE:

OTHER CHANGES:

	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Appropriation, 1994			209	\$232,524
ADJUSTMENTS TO BASE:				
OTHER CHANGES:				
Less one compensable day	0	(38)		
Locality pay	0	333		
1995 pay raise	0	114		
Within-grade step increases	0	80		
Civil Service Retirement System (CSRS)	0	(10)		
Federal Employees' Retirement System (FERS)	0	19		
Thrift savings plan	0	3		
Federal Insurance Contributions Act (FICA) - OASDI	0	6		
Health Insurance Premium	0	34		
Employees compensation	0	(4)		
Travel and transportation	0	41		
Communications, utilities, and miscellaneous charges	0	46		
Printing and reproduction	0	13		
Other services	0	453		
Supplies and materials	0	45		
Equipment	0	25		
Subtotal, other changes			0	1,160
TOTAL, ADJUSTMENTS TO BASE				
			0	1,160
1995 base			209	233,684
Administrative savings			0	(21)
FTE savings			(3)	(168)
Program changes			34	285,465
Transfer to Working Capital Fund			0	(1,710)
TOTAL REQUIREMENTS - BA				
			240	517,250
Working Capital Fund transfer			8	1,710
1995 APPROPRIATION				
			240	518,960

Comparison of Appropriation by Activity

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY -- CRF	1994		1995		1995		Increase/	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Construction of research and facilities</u>								
DIRECT OBLIGATIONS:								
Construction and major renovations	5	\$160,687	10	\$67,078	10	\$100,000	0	\$32,922
TOTAL OBLIGATIONS	5	160,687	10	67,078	10	100,000	0	32,922
FINANCING:								
Unobligated balance, start of year		(99,001)						
Subtotal, financing	0	(99,001)			0	0	0	0
TOTAL BUDGET AUTHORITY	5	61,686			10	100,000		
TOTAL APPROPRIATION	5	61,686			10	100,000		

Summary of Changes from 1994 Appropriation

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Construction of research and facilities</u>				
Appropriation, 1994			5	\$61,686
ADJUSTMENTS TO BASE				
TRANSFERS:				
From STRS			5	5,153
OTHER CHANGES:				
Less one compensable day	0	(\$1)		
1995 Pay raise	0	3		
Federal Employees' Retirement System (FERS)	0	1		
Health insurance	0	1		
Communications, utilities & misc	0	1		
Other services	0	234		
Subtotal, other changes			0	239
TOTAL ADJUSTMENTS TO BASE			5	5,392
1995 base			10	67,078
Program changes			0	32,922
1995 APPROPRIATION			10	100,000

Comparison of Appropriation by Activity

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY WCF	1994		1995		1995		Increase/	
	Currently Available		Base		Estimate		(Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
<u>Working Capital Fund</u>								
TOTAL OBLIGATIONS	1,031	237,202	1,031	153,799	1,015	167,799	(16)	14,000
FINANCING								
Offsetting collections from								
Federal funds	(685)	(199,653)			(669)	(121,667)		
Non-Federal sources	(346)	(26,943)			(346)	(26,131)		
Unobligated balance, start of year		(57,907)				(51,171)		
Unobligated balance, end of year		51,171				45,905		
Subtotal, financing	(1,031)	(233,332)			(1,015)	(153,064)		
TOTAL BUDGET AUTHORITY	0	3,870			0	14,735		
TRANSFERS								
From STRS		(2,580)				(13,025)		
From ITS		(1,290)				(1,710)		
TOTAL APPROPRIATION	0	0			0	0		

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

The National Telecommunications and Information Administration (NTIA) formulates national policy to support the development and deregulation of the telecommunications and information dissemination industries; conducts research to stimulate development and use of telecommunications and information services; manages Federal use of the radio frequency spectrum; and administers three telecommunications-related grant programs.

The Public Broadcasting Facilities, Planning and Construction Program (formerly the Public Telecommunications Facilities, Planning and Construction Program) provides grants for the planning, construction and equipping of non-commercial broadcasting facilities.

The Endowment for Children's Educational Television provides grants for the production of television programming directed toward the development of fundamental intellectual skills in children.

The Information Infrastructure Grants program provides grants to educational, health care, academic, public safety and social service agencies for the planning and construction of telecommunications infrastructures.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase (Decrease)
FEDERAL FUNDS:				
<u>Appropriation:</u>				
Salaries and Expenses	\$17,900	\$19,927	\$22,203	\$2,276
Public Broadcasting Facilities, Planning and Construction	21,320	24,000	10,748	(13,252)
Endowment for Children's Educational Television	1,000	1,000	1,006	6
Information Infrastructure Grants	0	26,000	100,000	74,000
TOTAL APPROPRIATION	40,220	70,927	133,957	63,030
<u>Transfer Pursuant to P.L. 102-395:</u>				
Salaries and Expenses	593	0	0	0
Public Broadcasting Facilities Planning and Construction	(1,066)	0	0	0
TOTAL BUDGET AUTHORITY	39,747	70,927	133,957	63,030
PERMANENT POSITIONS				
<u>Appropriation:</u>				
Salaries and Expenses	195	217	221	4
Public Broadcasting Facilities Planning and Construction	15	15	15	0
Endowment for Children's Educational Television	1	1	1	0
Information Infrastructure Grants	0	14	31	17
TOTAL:	211	247	268	21

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	Permanent Positions	Amount	Permanent Positions	Amount
Salaries and Expenses				
Domestic and International Policies	36	\$4,724	0	(\$9)
A program decrease (0 pos.; –\$9) is proposed to implement National Performance Review recommendations focusing on improving the efficiency of administrative service delivery.				
Spectrum Management	136	11,974	4	1,312
Program increases are proposed to develop an automated radio frequency spectrum management system (+4 pos.; +\$810); and, assist Federal agencies, displaced by the proposed reallocation of 200 Mhz of spectrum, relocate to new portions of the radio frequency spectrum (+2 pos.; + \$656).				
Program decreases are proposed to implement National Performance Review recommendations focusing on improving the efficiency of administrative service delivery (0 pos.; –\$26) and reducing the number of Federal employees (–2 pos.; –\$128).				
Telecommunication Sciences Research	46	\$4,283	(1)	(\$81)
Program decreases are proposed to implement National Performance Review recommendations focusing on improving the efficiency of administrative service delivery (0 pos.; –\$17) and reducing the number of Federal employees (–1 pos.; –\$64).				
Public Broadcasting Facilities, Planning and Construction	15	24,127	0	(13,379)
Consistent with the proposed expansion of the Information Infrastructure grant program, the Public Broadcasting Facilities, Planning and Construction grants program will be curtailed and refocussed on minority, visually and hearing impaired Americans (0 pos.; –\$13,376).				
A program decrease (0 pos.; –\$3) is proposed to implement National Performance Review recommendations focusing on improving the efficiency of administrative service delivery.				
Endowment for Children's Educational Television	1	1,006	0	0
No program changes are proposed for the National Endowment for Children's Educational Television in FY 1995.				

Information Infrastructure Grants	14	26,119	17	73,881
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An increase (+ 17 pos.; + \$73,881) is requested to continue stimulating the development of an advanced nationwide telecommunications and information infrastructure that promotes public access and serves educational, medical and other social needs. Grants will be awarded through a competitive, merit-based review for planning and design of segments of the infrastructure, and network development projects. Emphasis will be placed on health care, education, social service, public information and public safety applications. All grantees will be required to provide an "in-kind" contribution of 25 to 50 percent of total project costs.

Comparison of Appropriation by Activity

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate			
	Perm_Pos	Amount	Perm_Pos	Amount	Perm_Pos	Amount	Perm_Pos	Amount
Salaries and Expenses								
DIRECT OBLIGATIONS:								
Domestic and International Policies:								
Domestic policies	15	\$2,155	15	\$2,202	15	\$2,198	0	(\$4)
International policies	21	2,402	21	2,522	21	2,517	0	(5)
Subtotal	36	4,557	36	4,724	36	4,715	0	(9)
Spectrum Management:								
Spectrum plans and policies	26	2,620	26	2,751	26	2,745	0	(6)
Spectrum management, analysis & operations	109	9,008	110	9,223	114	10,541	4	1,318
Subtotal	135	11,628	136	11,974	140	13,286	4	1,312
Telecommunication Science Research:								
Spectrum research and analysis	22	1,915	22	2,038	21	1,966	(1)	(72)
Systems & networks research & analysis	24	2,281	24	2,245	24	2,236	0	(9)
Subtotal	46	4,196	46	4,283	45	4,202	(1)	(81)
TOTAL DIRECT OBLIGATIONS:	217	20,381	218	20,981	221	22,203	3	1,222
REIMBURSABLE OBLIGATIONS:	69	9,000	69	9,000	68	9,000	(1)	0
TOTAL OBLIGATIONS:	286	29,381	287	29,981	289	31,203	2	1,222
FINANCING:								
Offsetting collections from:								
Federal funds	(66)	(8,650)			(65)	(8,650)		
Non-federal sources	(3)	(350)			(3)	(350)		
Unobligated balance, start of year		(454)						
Subtotal, financing	(69)	(9,454)			(68)	(9,000)		
TOTAL BUDGET AUTHORITY:	217	19,927			221	22,203		
TOTAL APPROPRIATION	217	19,927			221	22,203		

Summary of Changes from 1994 Appropriation

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

	1995 Estimate		
	Detailed		Summary
	Perm	Pos	Amount
Salaries and Expenses			
Appropriation Available, FY 1994		217	\$19,927
ADJUSTMENTS TO BASE:			
OTHER CHANGES:			
Locality Pay			\$409
1995 Pay raise			145
Full year cost in 1995 of positions financed for part year in 1994			101
Within - grade step increases			228
One Less Compensable Day			(47)
Civil service retirement			(18)
Federal employees' retirement system			32
Thrift savings plan			5
Federal Insurance Contributions Act (FICA) - OASDI			12
Health insurance premium			56
Employees' Compensation Fund			(20)
Audit Costs	1		282
Travel			
Per Diem			(272)
Rental payments to GSA			61
Rental Payments to Others			1
Printing and reproduction			10
Other services			20
Working Capital Fund			6
Cross services			7
Supplies and materials			36
Equipment			
Subtotal, other changes			1,054
TOTAL, ADJUSTMENTS TO BASE			1,054
1995 base		218	20,981
Administrative Savings			(52)
FTE Reductions			(192)
Program Changes			1,466
TOTAL REQUIREMENTS		221	22,203
1995 APPROPRIATION		221	22,203

Comparison of Appropriation by Activity

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION	1994		1995		1995		Increase/		
	Currently Available		Base		Estimate		(Decrease)		
Public Broadcasting Facilities, Planning & Construction	Perm	Pos	Amount	Perm	Pos	Amount	Perm	Pos	Amount
Grants	0		\$22,080	0		\$21,500	0		\$8,124
Program Management	15		2,500	15		2,627	15		2,624
TOTAL DIRECT OBLIGATIONS	15		24,580	15		24,127	15		10,748
FINANCING									
Unobligated balance, start of year	0		(580)				0		0
TOTAL APPROPRIATION	15		24,000				15		10,748

Summary of Changes from 1994 Appropriation

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION	1995 Estimate					
	Detailed		Summary			
Public Broadcasting Facilities, Planning & Construction	Perm	Pos	Amount	Perm	Pos	Amount
Appropriation Available, 1994				15		\$24,000
ADJUSTMENTS TO BASE:						
TRANSFERS						
NOAA - GOES Satellite Operations (PEACESAT)			\$65			
OTHER CHANGES:						
Locality Pay			26			
1995 Payraise			12			
Within - grade step increases			10			
One Less Compensable Day			(4)			
Civil Service Retirement System			(1)			
Federal Employees Retirement System			3			
Federal Insurance Contributions Act (FICA)			1			
Health Insurance			6			
Travel Per Diem			2			
Rental Payments to GSA			3			
Printing and Reproduction			1			
Other Services						
Economic Development Administration - Grants Administration			2			
Working Capital Fund			1			
Subtotal, other changes				0		127
TOTAL, ADJUSTMENTS TO BASE:				0		127
1995 base				15		24,127
Administrative Savings				0		(3)
Program changes				0		(13,376)
TOTAL REQUIREMENTS				15		10,748
1995 APPROPRIATION				15		10,748

Comparison of Appropriation by Activity

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

	1994		1995		1995		Increase/ [Decrease]	
	Currently Available		Base		Estimate			
	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount
Endowment for Children's								
Educational Television								
Grants	0	\$955	0	\$763	0	\$763	0	\$0
Program Management	1	237	1	243	1	243	0	0
TOTAL DIRECT OBLIGATIONS	1	1,192	1	1,006	1	1,006	0	0
FINANCING:								
Unobligated balance, start of year	0	(192)			0	0		
TOTAL APPROPRIATION	1	1,000			1	1,006		

Summary of Changes from 1994 Appropriation

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

Endowment for Children's
Educational Television

Appropriation available, 1994

1995 Estimate			
Detailed		Summary	
Perm Pos	Amount	Perm Pos	Amount
		1	\$1,000

ADJUSTMENTS TO BASE:

OTHER CHANGES: /

Locality Pay	\$4		
1995 Payraise	1		
Other Services			
Working Capital Fund	1		
Subtotal, other changes		0	6
TOTAL ADJUSTMENTS TO BASE		0	6
1995 base		1	1,006
Program Changes		0	0
TOTAL REQUIREMENTS		1	1,006
1995 APPROPRIATION		1	1,006

Comparison of Appropriation by Activity

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION	1994		1995		1995		Increase/ (Decrease)	
	Currently Available		Base		Estimate		(Decrease)	
Information Infrastructure Grants	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount
DIRECT OBLIGATIONS:								
Grants	0	\$24,000	0	\$24,000	0	\$91,593	0	\$67,593
Program Management	14	2,000	14	2,119	31	8,402	17	6,288
TOTAL DIRECT OBLIGATIONS	14	26,000	14	26,119	31	100,000	17	73,881
TOTAL APPROPRIATION	14	26,000	14	26,119	31	100,000	17	73,881

Summary of Changes from 1994 Appropriation

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION	1995 Estimate			
	Detailed		Summary	
Information Infrastructure Grants	Perm Pos	Amount	Perm Pos	Amount
Appropriation available, 1994			14	\$26,000
ADJUSTMENTS TO BASE:				
OTHER CHANGES:				
Locality Pay		\$43		
1995 Payraise		12		
Within - grade step increases		24		
One less compensable day		(3)		
Health Insurance		5		
Rental Payments to GSA		31		
Printing and Reproduction		2		
Other Services				
Working Capital Fund		1		
Supplies and Materials		1		
Equipment		3		
Subtotal, other changes			0	119
1995 base			14	26,119
Program Changes			17	73,881
TOTAL REQUIREMENTS			31	100,000
1995 APPROPRIATION			31	100,000

BRIDGE FROM 1994 AND 1995 APPROPRIATIONSTO 1994 AND 1995 BUDGET AUTHORITY

(Dollar amounts in thousands)

	1994	1995	Change 1994 - 1995
Annual appropriations act	\$3,638,714	\$4,189,499	\$550,785
Emergency appropriation (P.L. 102-368)	1,400	0	(1,400)
Appropriations	3,640,114	4,189,499	549,385
Borrowing Authority	5,000	0	(5,000)
Transfer to "Promote and develop fishery products and research pertaining to American fisheries", NOAA	61,944	61,900	(44)
Transfer from Interior	6,888	7,000	112
Subtotal, Federal funds	3,713,946	4,258,399	544,453
Trust funds	200	200	0
Offsetting receipts	(126,920)	(29,920)	97,000
Subtotal, Enacted Budget Authority	3,587,226	4,228,679	641,453
1994 Proposed Rescissions	(12,000)	0	12,000
BUDGET AUTHORITY, DEPARTMENT OF COMMERCE	3,575,226	4,228,679	653,453

COMPARISON OF 1995 ESTIMATE WITH 1993 AND 1994 APPROPRIATIONS ENACTED TO DATE

(Dollar amounts in thousands)

	1993 Actual		1994 Appropriation		1995 Estimate		Increase/Decrease	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
GENERAL ADMINISTRATION								
Salaries and expenses	340	\$31,712	368	\$33,042	370	\$36,727	2	\$3,685
Office of the Inspector General	214	15,805	214	16,000	214	16,904	0	904
Subtotal, GA	554	47,517	582	49,042	584	53,631	2	4,589
ECONOMIC DEVELOPMENT ADMINISTRATION								
Salaries and expenses	375	27,118	375	28,000	358	32,647	(17)	4,647
Econ. assistance programs	0	317,000	II	322,642	0	327,024	II	4,382
Econ. dev. guaranteed loans	0	0	0	II	14	51,976	14	51,976
Subtotal, EDA	375	344,118	375	350,642	372	411,647	(3)	61,005
BUREAU OF THE CENSUS								
Salaries and expenses	1,926	123,955	2,043	128,286	2,343	147,385	300	19,099
Periodic censuses and programs	2,382	173,300	1,637	110,000	1,733	159,000	96	49,000
Subtotal, Census	4,308	297,255	3,680	238,286	4,076	306,385	396	68,099
ECONOMIC AND STATISTICAL ANALYSIS								
Salaries and expenses	601	39,353	558	45,220	634	54,445	76	9,225
Economic and Statistics Administration Revolving Fund	0	II	0	0	II	1,677	II	1,677
Subtotal, ESA	601	39,353	558	45,220	634	56,122	76	10,902
INTERNATIONAL TRADE ADMINISTRATION								
Operations and administration	2,431	213,851	2,516	248,590	2,496	262,468	(20)	13,878

	1993 Actual		1994 Appropriation		1995 Estimate		Increase/Decrease	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
BUREAU OF EXPORT ADMINISTRATION:								
Operations and administration	430	\$41,015	306	\$34,747	366	\$43,372	60	\$8,625
MINORITY BUSINESS DEVELOPMENT AGENCY:								
Minority business development	209	37,889	209	42,100	206	44,733	(3)	2,633
UNITED STATES TRAVEL AND TOURISM								
ADMINISTRATION:								
Salaries and expenses	94	19,208	94	18,520	97	17,930	3	(590)
NATIONAL OCEANIC AND ATMOSPHERIC								
ADMINISTRATION:								
Operations, research, and facilities	13,100	1,524,972	12,515	1,694,753	12,471	1,833,083	(44)	138,330
Construction	5	94,500	5	109,703	5	36,197	0	(73,506)
Fishing vessel and gear damage compensation fund	4	1,306	4	1,273	4	1,273	0	0
Fishermen's contingency fund	1	1,025	1	999	1	999	0	0
Foreign fishing observer fund	5	565	5	530	5	400	0	(150)
Fishing vessels obligations guar	0	470	0	459	0	0	0	(459)
Federal ship financing fund	0	0	0	0	0	0	0	0
Fleet modernization, shipbuilding, and conversion	16	30,000	16	77,064	16	23,040	0	(54,024)
Aircraft procurement and modernization	0	0	0	43,000	0	0	0	(43,000)
GOES Satellite contingency fund	0	0	0	0	0	0	0	0
Fisheries promotional fund	0	0	0	0	0	0	0	0
Promote and develop fisheries	0	0	0	0	0	0	0	0
Subtotal, NOAA	13,131	1,652,838	12,546	1,927,801	12,502	1,894,992	(44)	(32,809)
PATENT AND TRADEMARK OFFICE:								
Salaries and expenses	5,291	86,672	5,314	88,329	5,385	0	71	(88,329)
UNDER SECRETARY / OFFICE OF TECHNOLOGY POLICY:								
Salaries and expenses	43	4,450	43	5,700	63	11,262	20	5,562
NATIONAL TECHNICAL INFORMATION SERVICE:								
NTIS Revolving fund	0	8,000	0	0	0	18,000	0	18,000
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY:								
Scientific and technical research and services	1,616	192,940	1,864	226,000	2,000	316,040	136	90,040
Industrial technology services	122	86,067	209	232,524	240	518,960	31	286,436
Construction of research facilities	2	105,000	5	61,686	10	100,000	5	38,314
Subtotal, NIST	1,740	384,007	2,078	520,210	2,250	935,000	172	414,790
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION								
Salaries and expenses	195	17,900	217	19,927	221	22,203	4	2,276
Public broadcasting facilities, planning and construction	15	21,320	15	24,000	15	10,748	0	(13,252)
Endowment for children's educational television	1	1,000	1	1,000	1	1,006	0	6
Information Infrastructure Grants	0	0	14	26,000	31	100,000	17	74,000
Subtotal, NTIA	211	40,220	247	70,927	268	133,957	21	63,030
TOTAL, DEPARTMENT OF COMMERCE	29,418	3,216,393	28,548	3,640,114	29,299	4,189,499	751	549,385

Summary of Requirements with Detail of Adjustments to Base and Built-in Changes

(Dollar amounts in thousands)

	1995 Estimate			
	<u>Detailed</u>		<u>Summary</u>	
	<u>Perm. Pos</u>	<u>Amount</u>	<u>Perm. Pos</u>	<u>Amount</u>
Appropriations currently available, 1994			28,548	3,640,114
ADJUSTMENTS TO BASE AND BUILT-IN CHANGES:				
Transfers:				
From Department of Agriculture			0	61,900
From Department of Interior			0	7,000
Inter Bureau Transfers			(8)	0
Adjustments:				
Non-recurring items			(130)	(18,205)
Financing:				
From recoveries of prior year obligations			0	22,990
Fees collections in 1994			0	415,692
OTHER COST CHANGES:				
1994 Locality pay	0	31,162		
1995 Pay raise	0	27,402		
Stay-In School adjustment	8	0		
Full year cost in 1995 of positions financed for part year in 1994	63	7,291		
Changes in compensable day	0	(5,438)		
Administratively uncontrollable overtime	0	785		
Within-grade step increases	0	15,416		
Civil Service Retirement System (CSRS)	0	(2,748)		
Federal Employees' Retirement System (FERS)	0	5,089		
Thrift Savings Plan	0	1,155		
Federal Insurance Contributions Act (FICA) --OASDI	0	2,184		
Variable housing allowance	0	122		
Health insurance	0	5,603		
Employees' Compensation Fund	0	1,047		
Retired pay	0	432		
Audit costs	27	3,513		
Travel Per diem	0	1,557		

	1995 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Rent payments to GSA	0	1,755		
Rent payments to others	0	479		
Communications, utilities & misc. charges	0	743		
Printing and reproduction	0	(453)		
Other services				
Working Capital Fund	0	4,851		
Other services	0	2,452		
Supplies and materials	0	1,594		
Equipment	0	935		
Grants	0	2,352		
Overseas wage increases	0	1,125		
Overseas price increases	0	1,076		
Foreign Affairs Administrative Services	0	2,291		
Restoration/continuation of 1994 operating level	152	24,045		
Subtotal, other changes			250	137,817
TOTAL, ADJUSTMENTS TO BASE AND BUILT-IN CHANGES			112	627,194
1995 Base			28,660	4,267,308
FTE reduction			(542)	(19,698)
Administrative expenses			0	(12,559)
OMB Approved investment			17	289,703
Program changes			1,164	323,856
TOTAL REQUIREMENTS			29,299	4,848,610
Fee collections			0	(571,439)
Recoveries from prior year obligations			0	(18,772)
Transfer			0	(68,900)
1995 APPROPRIATION			29,299	4,189,499

COMPARISON BY BUREAU OF ADJUSTMENTS TO BASE 1995 ESTIMATE AND PROGRAM CHANGES

(Dollar amounts in thousands)

BUREAU	Net Adjustments To Base		1995 Base		1995 Estimate		Increase/Decrease over 1995 Base	
	Perm.	Pos.	Perm.	Pos.	Perm.	Pos.	Perm.	Pos.
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
General Administration	2	\$5,281	584	\$54,323	584	\$53,631	0	(692)
Economic Development Administration	0	3,138	375	353,780	372	411,647	(3)	57,867
Bureau of the Census	165	55,966	3,845	294,252	4,076	309,157	231	14,905
Economic and Statistical Analysis	(13)	3,394	545	48,614	634	56,122	89	7,508
International Trade Administration	0	3,924	2,516	252,514	2,496	262,468	(20)	9,954
Bureau of Export Administration	0	1,414	306	36,161	366	43,372	60	7,211
Minority Business Development Agency	0	688	209	42,788	206	44,733	(3)	1,945
United States Travel & Tourism Administration	3	(590)	97	17,930	97	17,930	0	0
National Oceanic & Atmospheric Administration	12	91,218	12,558	2,019,019	12,502	1,978,892	(56)	(40,127)
Patent and Trademark Office	(63)	449,459	5,251	537,788	5,385	571,439	134	33,651
Under Secretary / Office of Technology Policy	5	110	48	5,810	63	11,262	15	5,452
National Technical Information Service	0	0	0	0	0	18,000	0	18,000
National Inst. of Standards & Technology	0	11,886	2,078	532,096	2,250	936,000	172	403,904
National Telecommunications and Information Administration	1	1,306	248	72,233	268	133,957	20	61,724
TOTAL REQUIREMENTS	112	627,194	28,660	4,267,308	29,299	4,848,610	639	581,302
Fee collections					0	(57,143)		
Recoveries from prior year obligations					0	(18,772)		
Transfers					0	(68,900)		
1995 APPROPRIATION					29,299	4,189,499		

AUTHORIZING LEGISLATION REQUIRED FOR FY 1995

<u>Appropriation and activity</u>	<u>1994 Enacted</u>	<u>1995 Base</u>	<u>1995 Request</u>
<u>Economic Development Administration</u>			
<u>Economic Development Assistance Programs:</u>	\$322,642	\$323,240	\$327,024
Public Works and Economic Development Act of 1965, P.L. 89-136 (OBRA of 1981, P.L. 97-35), expired 9/30/82.			
<u>Economic Development Guaranteed Loans:</u>	0	1,976	51,976
Public Works and Economic Development Act of 1965, P.L. 89-136 (OBRA of 1981, P.L. 97-35), expired 9/30/82.			
	322,642	325,216	379,000
<u>International Trade Administration</u>			
<u>Export Promotion:</u>	248,590	252,514	262,468
Export Enhancement Act of 1992, P.L. 102-429, expires 9/30/94.			
<u>Bureau of Export Administration</u>			
<u>Operations and Administration:</u>	34,747	36,161	43,372
Export Administration Act of 1979, Reauthorization, P.L. 103-10, expires 6/30/94.			
<u>National Oceanic and Atmospheric Administration</u>			
<u>Operations, Research and Facilities:</u>			
<u>National Marine Fisheries Service</u>			
Anadromous Fish Conservation Act P.L. 102-133, expires 9/30/94.	2,400	2,400	2,400
Marine Fisheries Program Authorization Act P.L. 102-567, expired 9/30/93.	91,763	94,000	82,380

<u>Appropriation and activity</u>	<u>1994 Enacted</u>	<u>1995 Base</u>	<u>1995 Request</u>
Marine Mammal Protection Act Amendments of 1988, P.L. 101-711, expired 9/30/93.	\$21,337	\$21,900	\$30,149
Magnuson Fisheries Conservation and Management Amendments, P.L. 101-627, expired 9/30/93.	103,218	105,700	142,501
Endangered Species Act Amendments of 1988, P.L. 100-478, expired 9/30/92.	8,625	8,800	20,376
<u>Later Transmittal Proposal:</u>			
Marine Navigation Trust Fund	0	0	45,500
Subtotal, NOAA	227,343	232,800	323,306

Patent and Trademark Office

Salaries and Expenses:

Patent and Trademark Authorization Act of 1993, P.L. 103-179, expires 9/30/94.	88,329	0	0
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Under Secretary / Office of Technology Policy

Salaries and Expenses:

Office of the Under Secretary, Office of Technology Policy	5,700	5,810	11,262
American Technology Preeminence Act of 1991, P.L. 102-245, expired 9/30/93.			

National Technical Information Service:

NTIS Revolving Fund:

Department of Commerce Appropriations Act, 1993, P.L. 102-395, expired 9/30/93.	0	0	18,000
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<u>Appropriation and activity</u>	<u>1994 Enacted</u>	<u>1995 Base</u>	<u>1995 Request</u>
<u>National Institute of Standards and Technology:</u>			
<u>Scientific & Technical Research and Services:</u>	\$226,000	\$230,334	\$316,040
American Technology Preeminence Act of 1991, P.L. 102-245, expired 9/30/93.			
<u>Industrial Technology Services:</u>	232,524	233,684	518,960
American Technology Preeminence Act of 1991, P.L. 102-245, expired 9/30/93.			
<u>Construction:</u>	61,686	67,078	100,000
American Technology Preeminence Act of 1991, P.L. 102-245, expired 9/30/93.			
Subtotal, NIST	520,210	531,096	935,000
<u>National Telecommunications and Information Administration</u>			
<u>Salaries and Expenses:</u>	19,927	20,981	22,203
Telecommunications Authorization Act of 1992, P.L. 102-538, expired 9/30/93.			
<u>Public Broadcasting Facilities, Planning & Construction:</u>	24,000	24,127	10,748
Public Telecommunications Act of 1992, P.L. 102-356, expires 9/30/94.			
<u>Endowment for Children's Educational Television:</u>	1,000	1,006	1,006
Telecommunications Authorization Act of 1992, P.L. 102-538, expires 9/30/94.			

<u>Appropriation and activity</u>	<u>1994 Enacted</u>	<u>1995 Base</u>	<u>1995 Request</u>
<u>Information Infrastructure Grants:</u>	\$26,000	\$26,119	\$100,000
No authorization enacted. Authority provided by Department of Commerce Appropriations Act, 1994, P.L. 103-121.			
Subtotal, NTIA	70,927	72,233	133,957
TOTAL, AUTHORIZATION REQUIRED	1,518,488	1,455,830	2,106,365
PROGRAMS AUTHORIZED			<u>2,083,134</u>
TOTAL, DEPARTMENT OF COMMERCE			4,189,499

Budget Authority By Function

(Dollars in Thousands)

FUNCTION / PROGRAM				Change
	1993	1994	1995	1994 - 1995
300 NATURAL RESOURCES AND ENVIRONMENT				
304 Pollution control and abatement				
National Oceanic and Atmospheric Administration	(\$5,397)	(\$22,908)	(\$1,500)	\$21,408
306 Other natural resources				
National Oceanic and Atmospheric Administration	1,686,506	1,889,052	1,933,280	44,228
Total, Natural Resources and Environment	1,681,109	1,866,144	1,931,780	65,636
370 COMMERCE AND HOUSING CREDIT				
376 Other advancement and regulation of Commerce				
General Administration	48,937	49,042	53,631	4,589
Bureau of the Census	297,255	238,286	306,385	68,099
Economic and Statistical Analysis	46,953	45,220	56,122	10,902
International Trade Administration	213,851	248,590	262,468	13,878
Bureau of Export Administration	41,015	34,747	43,372	8,625
Minority Business Development Agency	37,889	42,100	44,733	2,633
United States Travel and Tourism Administration	19,208	18,520	17,930	(590)
National Oceanic and Atmospheric Administration	36,428	135,489	32,112	(103,377)
Patent and Trademark Office	86,672	88,329	0	(88,329)
Technology Administration	4,636	5,700	11,262	5,562
National Institute of Standards and Technology	380,757	520,210	935,000	414,790
National Technical Information Service	7,800	0	18,000	18,000
National Telecommunications and Information Administration	18,493	19,927	22,203	2,276
Total, Commerce and Housing Credit	1,239,894	1,446,160	1,803,218	357,058
450 COMMUNITY AND REGIONAL DEVELOPMENT				
452 Area and regional development				
Economic Development Administration	332,823	350,642	411,647	61,005
Total, Community and Regional Development	332,823	350,642	411,647	61,005

Budget Authority By Function

(Dollars in Thousands)

FUNCTION / PROGRAM	1993	1994	1995	Change 1994 - 1995
500. EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES				
503 Research and general education aids				
National Telecommunications and Information Administration	\$21,254	\$51,000	\$111,754	\$60,754
Total, Education, Training, Employment and Social Services	21,254	51,000	111,754	60,754
SUBTOTAL, FEDERAL FUNDS	3,275,080	3,713,946	4,258,399	544,453
Trust funds	248	200	200	0
Offsetting receipts	(115,980)	(126,920)	(29,920)	97,000
1994 Proposed Rescission	0	(12,000)	0	12,000
SUBTOTAL, DEPARTMENT OF COMMERCE	3,159,348	3,575,226	4,228,679	653,453
Proposed for later transmittal:				
300. NATURAL RESOURCES AND ENVIRONMENT				
National Oceanic and Atmospheric Administration				
306 Other natural resources		0	(45,500)	(45,500)
Federal Funds				
301 Water resources				
Trust Funds		0	45,500	45,500
TOTAL, DEPARTMENT OF COMMERCE	3,159,348	3,575,226	4,228,679	653,453

SUMMARY OF BUDGET AUTHORITY: 1995 – 1999

(Dollar amounts in millions)

DISCRETIONARY	1995	1996	1997	1998	1999
General Administration	\$54	\$54	\$54	\$54	\$54
Economic Development Administration	412	430	430	430	430
Bureau of the Census	306	338	288	488	1,488
Economic and Statistical Analysis	56	56	56	56	56
International Trade Administration	262	265	265	265	254
Bureau of Export Administration	43	43	43	43	43
Minority Business Development Agency	45	45	45	45	45
United States Travel and Tourism Administration	18	18	18	18	18
National Oceanic and Atmospheric Administration	1,902	1,984	1,984	1,987	1,972
Patent and Trademark Office	0	0	0	0	0
Under Secretary / Office of Technology Policy	11	11	11	11	11
National Technical Information Service	18	0	0	0	0
National Institute of Standards and Technology	935	1,089	1,379	1,407	1,422
National Telecommunications and Information Admin	134	178	178	178	178
SUBTOTAL, FEDERAL FUNDS	4,196	4,511	4,751	4,982	5,971
Offsetting receipts	(9)	(9)	(9)	(9)	(9)
SUBTOTAL, DISCRETIONARY	4,187	4,502	4,742	4,973	5,962
MANDATORY					
National Oceanic & Atmospheric Administration					
Promote & develop	62	62	62	62	62
Offsetting receipts	(21)	(21)	(21)	(21)	(21)
SUBTOTAL, MANDATORY	41	41	41	41	41
Proposed for later transmittal:					
National Oceanic and Atmospheric Administration					
Operations, research & facilities, Federal funds	(46)	0	0	0	0
Marine Navigation Trust Fund	46	0	0	0	0
TOTAL, DEPARTMENT OF COMMERCE	4,229	4,543	4,783	5,014	6,003

SUMMARY OF OUTLAYS: 1995 - 1999

(Dollar amounts in millions)

DISCRETIONARY	1995	1996	1997	1998	1999
General Administration	\$54	\$54	\$54	\$54	\$54
Economic Development Administration	347	501	471	492	428
Bureau of the Census	291	305	302	448	1,274
Economic and Statistical Analysis	53	56	56	56	56
International Trade Administration	248	264	264	265	257
Bureau of Export Administration	42	43	43	43	43
Minority Business Development Agency	48	45	45	45	45
United States Travel and Tourism Administration	20	18	18	18	18
National Oceanic and Atmospheric Administration	1,900	2,128	2,203	2,081	1,769
Patent and Trademark Office	54	0	0	0	0
Under Secretary / Office of Technology Policy	8	11	11	11	11
National Technical Information Service	3	15	0	0	0
National Institute of Standards and Technology	527	781	1,057	1,257	1,356
National Telecommunications and Information Admin.	68	101	135	165	178
SUBTOTAL, FEDERAL FUNDS	3,663	4,322	4,659	4,935	5,489
Offsetting receipts	(9)	(9)	(9)	(9)	(9)
Proposed 1994 Rescissions:					
International Trade Administration	0	0	0	0	0
National Oceanic & Atmospheric Administration:					
Operations, research and facilities	(2)	(1)	0	0	0
Construction	(2)	(1)	0	0	0
SUBTOTAL, PROPOSED RESCISSIONS	(4)	(2)	0	0	0
SUBTOTAL, DISCRETIONARY	3,649	4,311	4,652	4,926	5,481
MANDATORY					
Economic Development Revolving Fund	(4)	(4)	(3)	(2)	(2)
National Oceanic & Atmospheric Administration:					
Promote & develop	0	7	6	6	6
Coastal Zone Management Fund	(8)	(8)	(8)	(8)	(8)
SUBTOTAL	(4)	(5)	(5)	(4)	(4)
Offsetting receipts	(21)	(21)	(21)	(21)	(21)
SUBTOTAL, MANDATORY	(24)	(25)	(25)	(25)	(24)
Proposed for later transmittal:					
National Oceanic and Atmospheric Administration					
Operations, research & facilities, Federal funds	(25)	0	0	0	0
Marine Navigation Trust Fund	25	0	0	0	0
TOTAL, DEPARTMENT OF COMMERCE	3,625	4,286	4,627	4,901	5,456

NOTE: Detail may not add due to rounding.

GLOSSARY OF TERMS

Budget Authority

Budget authority for any year represents the authority to incur obligations, requiring either immediate or future payment, which will become available during the year. Appropriations on which the Congress acts are the most common form of budget authority, allowing Federal agencies to make payments out of the Treasury for specified purposes.

Federal Funds

Funds collected and used by the Federal Government for the general purposes of the Government. There are four types of Federal fund accounts: the general fund, special funds, public enterprise (revolving) funds, and intra-governmental funds. The primary Federal funds type is the general fund, derived from general taxes and borrowing.

Full-time Equivalent (Workyears) Employment

Compensable workyears for all Federal personnel, calculated by dividing the total number of hours (worked or to be worked) by the number of compensable hours applicable to each fiscal year (8 x the number of compensable days in each fiscal year). For a fiscal year with 260 days, the divisor is 2080, for 261 days, 2088; for 262 days, 2096.

Offsetting Receipts

Collections deposited in receipt accounts that are offset against budget authority and outlays rather than being counted as budget receipts. These collections are derived from other Government accounts or from Government activities that are of a business-type or market-orientated nature.

Outlays

Obligations incurred under budget authority are generally liquidated by the issuance of checks by the Treasury. Such payments are called outlays. Outlays during any fiscal year may be payments of obligations incurred in prior fiscal years or in the same fiscal year.

Permanent Positions

Permanent positions are funded positions which are occupied or expected to be occupied by full-time employees with permanent appointments as of September 30 of each year.

Reprogrammings and Transfers

A reprogramming is the shifting of dollar and/or personnel resources within an appropriation account, from one project or activity to another, to be used for purposes other than those contained in the year's official budget justification or expressed as Congressional intent in the enacted appropriations bill and Committee reports. Reprogrammings also occur when offices or staffs are to be relocated. Transfers also shift dollar and/or personnel resources away from their originally intended and approved uses, however, these moves take place between, rather than within appropriation accounts. Both reprogrammings and transfers are defined annually in the appropriations act. Both require a fifteen day notification to the House and Senate Appropriations Subcommittee for their review, before the proposed actions can be taken.

Rescission

A rescission is a Presidential proposal to cancel budget authority that has been appropriated but not yet obligated. Proposed rescissions are reported to the Congress and the Comptroller General. The Senate and the House both must approve the proposed rescission with 45 days of continuous session or the funds are automatically released for obligation.

Supplemental Appropriation

An act appropriating funds in addition to those in an annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until enactment of the next regular appropriation act.

Trust Funds

Funds collected and used by the Federal Government for carrying out specified purposes and programs according to terms of a trust agreement or statute, such as the social security and unemployment trust funds. Trust funds are not available for the general purposes of the Government.

Secretary BROWN. Thank you, Mr. Chairman. Thank you for your kind welcoming remarks.

It is a pleasure to appear before you today, Mr. Rogers, Mr. Molohan, and other members of the Committee who will be joining us. I have looked forward to this opportunity.

One of the most important things that we do to establish priorities is to participate, hopefully effectively, in the budget process. It is with great pleasure that I appear this morning to testify on behalf of the President's fiscal year 1995 budget for the Department of Commerce.

The President's budget request is for \$4.2 billion, as you have indicated, Mr. Chairman, which is an increase of \$654 million from the fiscal year 1994 level.

Mr. Chairman, the President's budget request, I believe, is more than just a fiscal document. It points the way towards what I would like to believe is the true renaissance of the Department of Commerce.

In his State of the Union message, the President pledged to continue our national journey of renewed and expanded economic opportunity and job creation for the American people. The mission of the Department of Commerce is absolutely essential and central to our successful completion of that journey.

I would like you, if you would, for a moment to consider the responsibilities that we have been given which are, in fact, at the very heart of our effort to create an environment for sustained economic growth and job creation in America.

In his State of the Union message, the President talked about our National Export Strategy, of which we are very proud. He talked about the need to invest more in civilian technology, which you mentioned in your opening remarks, Mr. Chairman. He talked about building the National Information Infrastructure, and about sustainable industrial and business development. He talked about positive management of our environmental resources, and about the kind of work in economic development that is symbolized by our efforts to assist economically distressed urban and rural communities, and by our defense conversion efforts.

For next year, the President's budget requests an 18 percent increase for the Department of Commerce, and this comes at a time when overall Federal discretionary spending is remaining essentially level. The increase clearly reflects a vote of confidence in the Department as well as recognition that we play a vital role in pursuing the President's economic agenda.

Our vision of the 1995 budget is based on the solid foundation provided by the Subcommittee, and by the Congress, in fiscal year 1994. For the current fiscal year, the Congress actually provided more funding than the Administration requested. This was mostly due to a greater emphasis on funding for our defense conversion efforts.

Your actions complement the President's belief in a Federal government that works in partnership with the private sector to produce concrete results for our economy. This relationship, we believe, marks a departure from the recent past when the Commerce Department budget was driven down, and was actually less in constant dollars in 1993 than it was in fiscal year 1980.

Mr. Chairman and Members of the Committee, our fiscal year 1995 budget will extend the support shown by the President and the Congress by focusing the Commerce Department's resources in five key cross-cutting themes: Civilian Technology, Export Growth, including our National Export Strategy, Economic Development, Environmental Stewardship and Assessment, and our Economic Information Infrastructure.

These themes work in harmony to define the role that Commerce is playing in helping America's businesses, communities, and workers. In my oral testimony, this morning, let me note just a few highlights.

As I think you know, Mr. Chairman, we go into a much more extensive set of remarks in our written testimony which we have submitted to you.

CIVILIAN TECHNOLOGY

First is Civilian Technology. President Clinton's technology policy recognizes that our past technology efforts are no longer adequate. The nation urgently needs improved strategies for governmental/industry cooperation in support of industrial technology.

Our fiscal year 1995 budget meets that challenge. For the Technology Administration, we are requesting a total of almost \$1 billion. Specifically, we request additional funding to promote economic growth by: stimulating new pre-competitive technology through our Advanced Technology Program, a time-tested and highly successful program that has been supported by both Republican and Democratic administrations.

It establishes a nation-wide network of manufacturing extension centers through the Manufacturing Extension Partnership Program, another program that we are extremely proud of. We would like to move the number of Manufacturing Extension Centers from what was about 7 in 1993 to 100 by 1997, and the fiscal year 1995 budget moves us in that direction.

Third, it provides additional support for the Office of the Under Secretary for Technology and the Office of Technology Policy to support the work of Dr. Mary Good, the new Under Secretary for Technology, as she assumes the additional responsibilities of coordinating the Administration's Partnership for a New Generation of Vehicles Initiative, and for chairing the new Civilian Industrial Technology Committee of the National Science and Technology Council.

In addition, the National Telecommunications and Information Administration requests \$134 million, a \$63 million increase, for our National Information Infrastructure Initiatives.

Just this week, we announced the beginning of the process to award the grants included in our fiscal year 1994 budget. This program, and its growth, are an important part of the Administration's strategy towards the information highways, and towards ensuring that those high-tech highways are a path for linking Americans together and not a barrier dividing them.

We believe strongly that as we move to build this information infrastructure, that we cannot create a society of information haves and have-nots. And that is why, as a part of our proposals, we have moved towards laying the groundwork by suggesting that by the

year 2000, every school in America, every hospital in America, every clinic in America, every library in America, is, in fact, attached, hooked into, connected, to the information superhighway.

EXPORT GROWTH

Second, the subject of Export Growth. As I believe you know, Mr. Chairman and Members of the Committee, I had the honor of chairing the Trade Promotion Coordinating Committee, which brought together the 19 agencies of the Federal government involved in export promotion. Most thought that was an impossible task, to get State, Commerce, Defense, and other agencies, including the Department of Agriculture, working together on an export strategy.

We were successful in that effort, and the President and I announced that strategy in September of last year. We have since been in the process of implementing it. Obviously, it is terribly important because American exports equals American jobs. For every \$1 billion increase in exports, we create 20,000 new jobs for the American people. We think it is a very important effort by the Commerce Department and by the Administration.

In the short-term, increased exports may be the best means that we have of boosting our economy and creating jobs in America. Trade issues and export growth are clearly priority areas for this Administration.

The largest single item will go directly towards reaching the goals that our National Export Strategy has set is a \$13 million increase for the International Trade Administration to enhance our network of trade specialists. This will enable us to train those specialists so that they can be prepared for the kind of competitive global economy in which we need to compete, to expand opportunities for American exporters in critical growth markets, and to use exports to facilitate the transition from defense production to commercial marketing.

This includes support for the export of environmental technologies, which I mentioned just briefly in my discussion of Civilian Technology. Again, Mr. Chairman and Members of the Committee, what has happened in environmental technology ought to be a lesson for all of us. It wasn't long ago that we were having a major debate in America, which tended to assume that if you cared about the environment, you didn't care about jobs or growth.

We have found out over the last decade that we have created a whole new sector of our economy called Environmental Technology where we are the world leaders. There are tremendous export opportunities for us, the opportunity to create, I believe, virtually hundreds of thousands of jobs for the American people in the area of environmental technology.

ECONOMIC DEVELOPMENT

The third area, a very important one, is Economic Development. Reinvigorating both the Economic Development Administration and the Minority Business Development Agency is crucial to assisting distressed American communities and businesses.

That is why EDA requests \$140 million to find alternative uses for closing or shrinking the Department of Defense, the Depart-

ment of Energy and major contractor facilities, and to return these areas, these communities, to a self-sustaining footing.

EDA also seeks \$50 million in budget authority to support what will be leveraged into a \$269 million loan guarantee program to fill the gap in current Federal credit programs for business development. This, we believe, will give EDA another tool in their comprehensive approach to community assistance, which already provides for public works and economic adjustment assistance.

This program will provide additional resources that will work in concert with our current efforts. Ongoing programs include grants for public works and development facilities; planning and coordination grants for communities; technical assistance grants, including the University Center program; economic and industrial trends research; and economic adjustment grants. Our efforts support rural and urban communities alike.

The final phase of our economic development package will be to provide MBDA a \$2 million increase for additional MEGA Centers. We think the MEGA Center approach is an important one. It provides, in effect, one-stop shopping for minority entrepreneurs and improves access for minority firms to capital and Federal procurement opportunities.

As it turns out, when you analyze the effects of these policies on minority businesses, one of the big opportunities is government procurement. But when you talk to minority entrepreneurs, you find that one of the biggest difficulties they have, as many small business people have around America, is access to capital. We want to give some focus to MBDA on that subject, on how we can encourage and enhance access to capital.

ENVIRONMENTAL STEWARDSHIP AND ASSESSMENT

Fourth is the issue of Environmental Stewardship and Assessment. This Administration is committed to an environmental strategy that promotes sustainable development and rejects the need for what we believe are the false choices between environmental goals and economic health.

NOAA, the National Oceanic and Atmospheric Administration, the Department's largest component, promotes stewardship of the global environment by managing natural resources and monitoring and predicting changes in the earth's environment. This enables us to link trade, development, and technology with environmental issues.

We have created within the Department of Commerce an Office of Sustainable Development which is now led by a former mayor of a fishing community, New Bedford, Massachusetts, to enhance our ability to be sensitive to the confluence of some of these environmental and economic issues.

NOAA requests a \$52.2 million increase to build sustainable fisheries and recover protected species through new management and recovery plans. NOAA will also promote coastal ecosystem health through improved management techniques and will modernize navigation and positioning services. These efforts have the potential to add more than 300,000 jobs and an \$8 billion increase to our gross domestic product.

NOAA's environmental assessment and prediction activities comprise the majority of the bureau's activities and are the source of its largest increase, that of \$78.2 million to the Operations, Research and Facilities account to continue the modernization of the Weather Service, which is of absolutely crucial importance, and to expand climate and global change research.

NOAA's \$170.5 million decrease from fiscal year 1994, that is in the total budget, largely reflects changing infrastructure requirements. Current activities regarding fleet modernization and facility maintenance and facility construction will continue, but at lower levels, than in fiscal year 1994. This is due primarily to reduced requirements for Weather Forecast Office construction and other non-recurring projects.

ECONOMIC INFORMATION INFRASTRUCTURE

Fifth and finally, Mr. Chairman and Members of the Committee, is the area of Economic Information Infrastructure. Political and economic decision-making depend on the quality of economic information, and American business and industry needs information as much as it needs labor and materials. But, our data is weakest in the areas where economic change has been the most dynamic.

I see a number of areas where improved statistics are essential to the nation's economic well-being. That is what our budget request would achieve.

We are also seeking additional funds for the Year 2000 Decennial Census planning, to improve the accuracy of the count, something that we are all committed to doing. I think it is unacceptable after each census to have two sets of numbers, and therefore, have to engage in endless litigation to figure out what census numbers are right; to set rural areas against urban areas, or region against region, state against state. It doesn't make a lot of sense to me, and we have to do a better job in making sure that we have one accurate, credible set of census numbers, and that is exactly what this budget request will help us to do.

All of the themes that I have spoken about, Mr. Chairman—our program missions and the ways that we are managing the Department to implement those themes—work in harmony to define the critical role that this new and renewed Department of Commerce will play in helping America's businesses and communities and workers make the journey to economic renewal.

Our message is clear. This budget request reflects a vote of confidence in the Department of Commerce and a recognition of the central role that the Department is playing in pursuing the economic themes that the President has voiced since January of 1993 and reiterated in his State of the Union address.

I would be very happy to respond to your questions, Mr. Chairman, and the questions of the Members of the Committee.

[The prepared statement of Secretary Brown follows:]

PREPARED STATEMENT BY
RONALD H. BROWN
SECRETARY OF COMMERCE
BEFORE THE SUBCOMMITTEE ON
COMMERCE, JUSTICE, STATE, THE JUDICIARY
AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
MARCH 10, 1994

In his State of the Union message, the President pledged to continue our national journey of renewed and expanded economic opportunity and job creation for the American people. The mission of the Department of Commerce is central to our successful completion of that journey. The President's emphasis, expressed in the FY 1995 budget I am discussing today, marks the "renaissance" of the Department of Commerce.

Consider the responsibilities we have been given. In his State of the Union message, the President talked about our National Export Strategy, about the need to invest more in civilian technology, about building the National Information Infrastructure, about sustainable industrial and business development, about positive management

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of our environmental resources, and about the kind of work in economic development that is symbolized by our efforts to assist economically distressed urban and rural communities and our defense conversion efforts.

For next year, the President's budget requests an 18% increase for Commerce -- and this comes at a time when overall Federal discretionary spending is remaining essentially level. The increase clearly reflects a vote of confidence in the Department, as well as recognition that we play a vital role in pursuing the President's economic agenda.

The vision of our FY 1995 budget is based on the solid foundation provided by the Subcommittee, and by the Congress, for FY 1994. For the current fiscal year, you actually provided more funding than the Administration had requested, mostly due to greater funding for our defense conversion efforts. Your actions complement the President's belief in a federal government that works in partnership with the private sector to produce concrete results for our economy. This relationship marks a departure from the recent past, where the federal government's detachment from the private sector drove Commerce's budget down -- the FY 1993

budget was less in constant dollars than it was in 1980.

The President's FY 1995 budget request is for \$4.2 billion, an increase of \$654 million from the FY 1994 level of \$3.575 billion. Full-time equivalent employment in FY 1995 will be 35,754, slightly less than in FY 1994.

This request will extend the support shown by the President and the Congress, by focusing Commerce resources in five cross-cutting themes: Civilian Technology, Export Growth, Economic Development, Environmental Stewardship and Assessment, and the Economic Information Infrastructure. These themes work in harmony to define the role that Commerce is playing in helping America's businesses, communities, and workers.

Each of these themes is supported by the President's FY 1995 budget.

Civilian Technology

The U.S. government's old technology policy focused on military, civilian research, or mission-oriented activities. But President Clinton's

technology policy recognizes that those earlier efforts are no longer adequate. The Nation urgently needs improved strategies for government/industry cooperation in the support of industrial technology.

Our FY 1995 budget meets that challenge. For the Technology Administration, we are requesting a total of \$964 million. Specifically for the National Institute of Standards and Technology (NIST), we request \$935 million, a \$415 million increase, to promote economic growth by:

- o stimulating new pre-competitive technology through the Advanced Technology Program (ATP)
- o establishing a nationwide network of manufacturing extension centers through the Manufacturing Extension Partnership program (MEP)
- o expanding NIST laboratory support for industry-oriented R&D
- o upgrading NIST laboratories.

For the Office of the Under Secretary for

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Technology and the Office of Technology Policy, we request \$11.3 million, a \$5.6 million increase, to support the Under Secretary as she assumes the additional responsibilities for coordinating the Administration's Partnership for a New Generation of Vehicles Initiative, and for chairing the new Civilian Industrial Technology Committee of the National Science and Technology Council.

The National Telecommunications and Information Administration (NTIA) requests \$134 million, a \$63 million increase, for the National Information Infrastructure (NII). Funds will also be used to speed the upcoming spectrum auction, the income from which will help ease the federal deficit.

The Patent and Trademark Office (PTO) is exclusively funded by fees. In FY 1995, those fees will be used to cover operations as well as modernization efforts to facilitate the examination of patent and trademark applications. Adopting our proposed change in treatment of patent surcharge fees provides the Appropriations Committee greater flexibility in funding the programs under your jurisdiction.

I will discuss the National Oceanic and Atmospheric

Administration (NOAA) budget in greater detail in a moment, but let me note that, as part of our civilian technology efforts, NOAA requests \$15.5 million for High Performance Computing and Communications, and \$14.5 million for an effort with NIST and the International Trade Administration (ITA) to promote environmental technologies. The \$5 million that NIST requests for their portion of this initiative will provide the necessary measurement basis for their program. ITA requests \$4.1 million to boost the export of environmental technology products and services, and advance the U.S. share of the global technology market.

In addition, Commerce requests a one-time appropriation of \$18 million to implement our portion of the 1991 American Technology Preeminence Act (PL 102-245), and to fund Departmental participation in activities under the National Information Infrastructure. I want the Department of Commerce -- and all of its information -- to be "on-line". This appropriation will help us meet that goal.

Export Growth

The Trade Promotion Coordinating Committee

(TPCC), which I chair, has launched the National Export Strategy. In the short term, in fact, increased exports may be the best means we have of boosting job creation in the United States. We believe that US exports can reach \$1 trillion by the start of the next decade, producing six million new jobs. Trade issues and export growth are priority areas for us.

For next year, the Department of Commerce's request includes:

- o A \$12.8 million increase for ITA, to enhance our network of trade specialists, expand opportunities for American exporters in critical growth markets, and use exports to facilitate the transition from defense production to commercial marketing. This includes support for the export of environmental technologies, which I mentioned in my discussion of Civilian Technology theme.
- o A \$7.7 million increase for the Bureau of Export Administration (BXA), for streamlining the export licensing process, in response to recommendations by the

National Performance Review (NPR) and the TPCC.

- o \$17.9 million for the US Travel and Tourism Administration (USTTA), to support greater development in the international tourism market.

Economic Development

I believe that re-invigorating both the Economic Development Administration (EDA) and the Minority Business Development Agency (MBDA) is crucial to assisting distressed American communities and businesses.

Under this theme, EDA requests \$140 million to find alternative uses for closing or shrinking Department of Defense, Department of Energy, and major contractor facilities, and to return these areas to a self-sustaining footing. To further strengthen its ability to provide assistance across the nation, EDA also seeks \$4.1 million to: fund an Office of Economic Conversion Information; improve grants administration processes; enhance management information systems; and, increase the bureau's policy analysis and performance measurement capabilities.

EDA seeks \$50 million in budget authority to support a \$269 million loan guarantee program to fill the gap in current federal credit programs for business development. This will give EDA another tool in their comprehensive approach to community assistance, which already provides for public works and economic adjustment assistance.

EDA provides grants that will help reduce substantial and persistent unemployment in economically distressed areas. Ongoing programs include: grants for public works and development facilities; planning and coordination grants for communities; technical assistance grants, including the University Center program; economic and industrial trends research; and, economic adjustment grants which provide a package of assistance tools to help communities counteract either a gradual erosion or sudden dislocation of the local economic structure. Rural communities, especially, benefit from such support.

The final phase of our economic development package will be provided by the MBDA, which requests a \$2 million increase for an additional Minority Enterprise Growth Assistance (MEGA) Center and to improve access for minority firms to capital and federal procurement opportunities.

Environmental Stewardship and Assessment

This Administration is committed to an environmental strategy that promotes sustainable development and rejects the need for false choices between environmental goals and economic health. NOAA, the Department's largest component, promotes stewardship of the global environment by managing natural resources and monitoring and predicting changes in the Earth's environment. This enables us to link trade, development, and technology with environmental issues.

NOAA requests a \$52.2 million increase to build sustainable fisheries through new management and recovery plans. NOAA will also promote coastal ecosystem health through improved management techniques, and will modernize navigation and positioning services. These efforts have the potential to add 300,000 jobs and an \$8 billion increase to our Gross Domestic Product by the end of the decade.

NOAA's environmental assessment and prediction activities comprise the majority of that bureau's activities and are the source of its largest increase, \$78.2 million, to continue the modernization of the

Weather Service, and expand Climate and Global Change Research.

NOAA's \$170.5 million decrease from FY 1994 largely reflects changing infrastructure requirements. Current activities regarding fleet modernization and facility maintenance and construction will continue, but at lower levels. This is due primarily to reduced requirements for Weather Forecast Office (WFO) construction and non-recurring projects.

The Economics and Statistics Administration (ESA) requests \$3.8 million to gather more data on pollution abatement spending and to develop a measure of Gross Domestic Product, Green GDP, that takes into account changes in our environment.

Economic Information Infrastructure Initiative (EI3)
Political and economic decision-making depend on quality economic information, and American business and industry needs information as much as it needs labor and materials. But, as Fortune magazine has noted, "America's system for gathering and interpreting economic statistics has

fallen into disrepair. The resulting mis-measurements make it harder than ever to understand what is happening to the economy." Our data are weakest in areas where economic change has been most dynamic.

I see a number of areas where improved statistics are essential to the nation's economic wellbeing. Successful trade negotiations and the monitoring of trade agreements depend on high-quality statistics, as agreed on by our selves and our trading partners. Improved measures of competitiveness in American industries will sharpen our understanding of the sources and extent of new buildings and equipment, allowing us to see more clearly which industries are expanding. Better information will also enable us to make faster final revisions to the past year's GDP, which in turn make current and future years' economic forecasts more timely and accurate. As one example of our making some of the improvements essential in this area, our Bureau of Economic Analysis introduced the quality-adjusted price index into the computation of GDP, raising the business equipment component of that measure 60 percent over the 1982-1992 decade.

For Economic Information Infrastructure Initiative

(EI3) activities in the Economics and Statistics Administration (ESA) and the Bureau of the Census, we request:

- o A total FY 1995 budget of \$48.6 million for 2000 Decennial Census planning, to improve the accuracy of the count and strive to keep real costs at or below the level of the 1990 census, including testing in 1995 of a variety of basic changes in how the census may be conducted.
- o An increase of \$13.9 million to strengthen ESA data collection and analysis methods, to implement the System of National Accounts, and to improve information dissemination.
- o An increase of \$18.2 million to restructure and reengineer methods and technology for collecting information at the lowest cost. These efforts range from implementation of the Computer Aided Survey Information Collection (CASIC) system to a major upgrade of the existing 1970's mainframe data processing environment.

All of the themes I've spoken about -- our program missions and the ways we're managing the Department to implement those themes -- work in harmony to define the critical role that this new and renewed Department of Commerce will play in helping America's businesses, communities, and workers make the journey of economic renewal.

Our message is clear. This budget request reflects a vote of confidence in the Department of Commerce and a recognition of the central role that the Department is playing in pursuing the economic themes that the President voiced in his State of the Union message.

I would be happy to answer any questions you may have about our FY 1995 budget request.

EXPORT GROWTH

Mr. SMITH. Mr. Secretary, you have indicated pretty clearly throughout your entire presentation that we are going to put heavy emphasis upon exporting, highly competitive, high-technology products to provide jobs in this country.

There is some good news in this regard. Recent statistics show that the United States is 17 percent more competitive than it was the year before, and that U.S. workers last year were 14 percent more efficient than German workers, 22 percent more than Japanese workers, which is a turnaround.

Now, part of that, of course, is because we had an increased volume last year. Our automobile industry, for example, increased its market share. But it also indicates something else is going on, and part of it, I think, is our new manufacturing system which, to some extent, copies the defense system that we developed in the 1980s where you have an assembly plant and they buy highly competitive products and assemble them at the assembly plant instead of trying to manufacture everything in-house.

So all of what you are talking about is very important. You have the objectives of producing high-quality products at very competitive prices, and then you have export promotion and growth, and then the export licensing system so people can export what they have produced.

EXPORT LICENSING

So my first question is on the last. What are we doing to make sure that American producers can export what they produce without having to go through such an obstacle course in the government, to perhaps only be turned down at the end of it?

Secretary BROWN. Well, you are absolutely right, Mr. Chairman, in tying those issues together. They are critical to our goal of economic growth. We think we have made tremendous progress in the area of export licensing.

Mr. SMITH. Is there an interagency council?

Secretary BROWN. It was a part of the Trade Promotion Coordinating Committee process. When we issued our National Export Strategy in September, I believe the key element in it was our change in export control regime.

There is a basic attitude or philosophy behind that change. My judgment is that if you can walk out of this building and go over to Radio Shack and buy something off the shelf, an American manufacturer shouldn't be restricted from exporting that product. There would be some destination exceptions, of course, but in general, that ought to be our principle. That has not been our principle.

If the Cold War is over, we need to start acting like it is over. In that context, we have to show our concern about nonproliferation and arms control issues, as we will obviously continue to do. But we can't paralyze American manufacturers.

We moved through the system, this 19-agency consultation, some new procedures that basically demonstrated our desire to decontrol in a number of areas—supercomputers, computers, electronics, telecommunications—and you have begun to see the results of those

changes. More are being recommended in our Export Administration Act reauthorization this year, which is now before the Congress. Hearings have not yet begun on it, but more steps in that direction will be taken. We are going to be thoughtful in the way we move; we are going to be careful in the way we move.

There is no question, Mr. Chairman, that we have to change the way we think about exports. We have to make exporting easier, not more difficult.

ONE-STOP SHOPS

The other thing I might add, Mr. Chairman, is we have set up some one-stop shops for exporters; four of them so far. Three have formally opened. They are Baltimore, Miami, and Chicago. The fourth in Los Angeles/Long Beach is open for business with the formal opening to be announced. We are going to do more of that around the country. So particularly small and medium-sized businesses that need some help, that need some hand-holding, don't just get shifted around from pillar to post, they can now go to one place and obtain the needed information.

So we think we have made significant progress.

Mr. SMITH. Well, in the past I know they have had other agencies, like Defense and Commerce and three or four others involved in licensing for certain products, and apparently Defense had a big, big part on those decisions. How has that changed? Do you still have other agencies involved?

Secretary BROWN. Commerce has tended to take a leadership role in this process. There seems to be, I am pleased to say, a shift away from a unilateral approach to a multilateral approach to get down to the practical consequences of our action.

If, in fact, our action by itself does not achieve the goal that we would like to achieve in the international arena, that ought to have some impact on whether we move down that road. If, in fact, we can convince our allies to do as we do, so that the ultimate result is what we would like, obviously that would cause a different kind of decision on our part.

So I would say, Mr. Chairman, that there is a shift in the decision-making process. There still is interagency coordination, interagency dialogue, but I think you would note, Mr. Chairman, from the decisions that have been made in recent months, the role of the Commerce Department has been significantly increased in that process.

Mr. SMITH. Maybe we can limit it to a couple of questions the first round and come back.

Mr. Rogers?

FY 1995 BUDGET INCREASES

Mr. ROGERS. Mr. Secretary, welcome to our Subcommittee again. It is good to see you and your staff.

Secretary BROWN. Thank you, Mr. Rogers.

Mr. ROGERS. Last year, we were so pinched for monies on this Subcommittee that we couldn't do anywhere near what we wanted to do—and it is going to be worse this year. Yet you are requesting an 18 percent increase at a time when most of the other agencies

we are dealing with either are taking a cut from the current year or at best being frozen.

It is a significant increase and a significant anomaly from the other agencies we deal with. So you are going to be held to a higher standard to prove your case than an agency that is being a trifle more modest in their requests. Not to say that you are in error, I am sure you are not in error. But, as you well know, an 80 percent increase for NIST, a \$68 million increase for Census, a big increase for NTIA and so forth, those are going to be hard to defend at a time when we are so pinched for monies.

How can you come here asking for an 18 percent increase for these agencies at a time when we are having to cut FBI and DEA and other vital programs?

Secretary BROWN. Small department, big and important mission, Mr. Rogers. The fact is that we still have the smallest budget of any Department of the Federal government, not even close to the next smallest in the Federal Government.

ECONOMIC SECURITY

We have a mission that has grown in importance. It has grown in importance as our nation focuses more on our economic security. I think we have concluded, I believe all of us have concluded, that our national security is now inextricably tied to our economic security, and the fact is that the mission of the Commerce Department is at the very heart of our effort to ensure economic growth—export promotion and trade, technology, telecommunications—the cutting edge issues that are going to have a major impact on our ability to compete and win as a nation in this very tough global-economic arena.

So we are confident that this budget request is reasonable, rational, supportable. We made some very tough decisions in the Administration in preparing this budget for submission to the Congress. We took into account a number of the factors that you have raised, Mr. Rogers, and tried to balance the various equities. And although it is an 18 percent increase, it is an 18 percent increase on the smallest base in the Federal government, and a base that has been declining. And as I indicated in my testimony, Mr. Rogers, in 1993, smaller in real dollars than in 1980.

Part of that is because there had been an attitude—I believe a wrong attitude—that the kind of partnership we are trying to forge with the private sector was not necessary. I think we have concluded as a nation that it is necessary if we are going to compete and if we look at what our international competitors are doing. And I believe, Mr. Rogers, that we have the ability to manage these increases because of the management team we have put together.

I neglected at the beginning of my testimony to introduce the most important person in this process, and that is Tom Bloom, our new Assistant Secretary for Administration and Chief Financial Officer, who has done a terrific job in a short time.

We believe that this request is appropriate. We believe it will help us to meet our mission. We certainly respect the questions that you have raised about that.

DEFENSE CONVERSION

Mr. ROGERS. Now, I am concerned about the Economic Development Administration. Yes, you have requested an increase in monies, but all of that is to go to defense conversion.

Secretary BROWN. \$50 million is for the new loan guarantee fund, Mr. Rogers.

Mr. ROGERS. Yes. And as I understand it, that new loan fund is specifically limited to urban and larger populated areas of the country.

Secretary BROWN. No, it is not at all.

Mr. ROGERS. There is not a 50,000-population floor under that?

Secretary BROWN. No.

Mr. ROGERS. It appears you are focusing your resources on "strategic areas" and industries—defense communities, urban areas and high-tech industries to the detriment—and correct me if I am wrong—of areas that have long been economically depressed and for which EDA was originally formed. Am I misdirected in my understanding?

Secretary BROWN. I wouldn't call it misdirected, Mr. Rogers, but let me try to explain.

I have a deep commitment to the kind of public works approach that EDA has traditionally taken. We believe that this budget request will reinforce that. It will free up the remaining public works dollars for just the kind of emphasis, just the kind of focus, just the kind of targeting that your question reflects.

We think providing separate designated money for defense conversion will help to take those communities away as competitors from some of the rural communities that are economically distressed and really do need additional resources. We think that the loan guarantee fund that we have suggested fills a significant gap that exists in our present Federal loan process.

I have talked to Erskine Bowles at the SBA about it. I know that he testified, I think yesterday or the day before, on this matter. What we have found is that there are a lot of businesses that are falling between the cracks, and although the SBA process is to evaluate individual applicants and to determine their creditworthiness, ours is really a comprehensive economic development approach, and the loan guarantee fund is a part of that.

To take \$50 million in government money and leverage it toward \$269 million in help for distressed communities, urban and rural communities, we think is a positive approach.

Mr. ROGERS. Well, 60 percent of all EDA funds requested are for those strategically targeted areas, and only 40 percent is now devoted to traditional EDA programs that serve nondefense communities. In fact, your request cuts the traditional programs important to areas of distressed areas by 25 percent, \$46.5 million.

Those are traditional programs like planning, infrastructure, revolving loan funds, and the like.

Secretary BROWN. Well, the fiscal year 1995 budget for public works is \$131 million. The 1994 budget request was \$130 million, and the appropriation was actually \$160.

I would argue, Mr. Rogers, that although there are additional targeted funds there, those funds will be going to communities

where defense conversion is the key. Those communities then would not be competing for the public works dollars that will be available—I would say principally for the kinds of communities that your question indicates that you are most concerned about and that I do share your concern about.

I believe we can do better by those communities, because we are specifically targeting defense conversion money to other communities.

Mr. ROGERS. Well, we will talk about that some more. I apparently am running out of time, but I do want to clarify one thing. I am quoting from Exhibit 13 of your submission, page 91 of EDA, about the loan program and the 50,000 population.

As I understand the bottom paragraph of that page, the EDA loan program is meant to complement the Rural Development Administration's Business and Industrial Guaranteed Loan program which is limited to firms and communities of 50,000 or less, and EDA would only be eligible for non RDA-eligible—

Secretary BROWN. No, that is not accurate, Mr. Rogers. I am informed that is a quote of existing law that evidently—is that something that we submitted or the staff?

Mr. MARK BROWN. Yes. It is the budget justification, but it doesn't reflect—

Mr. ROGERS. I am quoting: "The EDA program will complement the Small Business Administration Section 7(a) Loan Business Guarantee program and the Rural Development Administration's RDA Business and Industrial Loan Guarantee program, thus bridging a gap"—

Secretary BROWN. Yes. I think, Mr. Rogers, it is explaining how our program is different from the SBA and other existing Federal programs, but doesn't describe our intentions under our program. It tells why it is different. It doesn't limit us. That is our intention, notwithstanding what that might say. I am representing to you, Mr. Rogers, that is our intention.

Mr. ROGERS. That your EDA program would not be limited to populations of 50,000 or more?

Secretary BROWN. That is correct; which those other programs are.

Mr. ROGERS. Well, we will get back to it later.

Mr. SMITH. Mr. Mollohan?

Mr. MOLLOHAN. Thank you, Mr. Chairman.

MANUFACTURING TECHNOLOGY PROGRAM

Mr. Secretary, I want to congratulate you on what I consider to be outstanding performance in moving toward achieving the Clinton Administration's goals to make this country increasingly economically competitive. I think the Commerce Department is the point agency in this effort and you have done a very admirable job in your position as Secretary of Commerce.

As I review your budget request, I think you are trying to position Commerce, the smallest Department, to do, as you described, a very large job. I thought that was an excellent answer to Mr. Rogers' question.

At the same time, there is a lot of pressure on this budget, and I think that you can anticipate in some areas your funding request

may not be realized. For example, on the Floor today, we have the budget resolution, and I am sure you are aware of that.

It assumes, for example, a \$169 million increase for your NIST Extramural programs, as opposed to the \$286 million which the Administration requested. If you were to assume the budget resolution was enacted, and we were responsive to that, what effect would that have on NIST?

Secretary BROWN. It would be very disappointing, Mr. Mollohan. As you know, we announced plans early on to take NIST from what was \$400 million in 1993 to \$1.4 billion by 1997, and all for programs that are tested and proven, that have had bipartisan support, our Advanced Technology Program and our Manufacturing Extension Partnership Program. So we would be very concerned about that kind of action.

They are both programs that the private sector is extraordinarily enthusiastic about. They are programs that get technology to small and medium-sized companies. They are programs that create jobs. So that would be certainly a disappointing action.

MANUFACTURING EXTENSION CENTERS

Mr. MOLLOHAN. I think in your oral statement you mentioned that your goal was to increase the Manufacturing Extension Centers from 7 to 100 by 19—

Secretary BROWN. 1997.

Mr. MOLLOHAN. 1997. How, for example, would this kind of reduction in your request—

Secretary BROWN. We could not meet that goal. And that would be distressing, to be sure. As you know, there is great interest around the country in setting up Manufacturing Outreach programs, Manufacturing Extension programs, Manufacturing Technology Centers, and it would be difficult to stay on course with that kind of action.

Mr. MOLLOHAN. Could you talk a little bit about how much progress you have made in this area with regard to your extension programs, your Manufacturing Technology Centers? I am extremely interested in how you really get that to the shop floor, and, if you don't mind, I would like to give you a bit more perspective of what I mean.

Secretary BROWN. Certainly, certainly.

Mr. MOLLOHAN. There are ways to measure competitiveness, but as a Member of Congress representing a District that hosts a microcosm of basic industry America, we are trying to modernize traditional industries. This initiative holds a lot of promise for our competitiveness. And the measurement of competitiveness is really based on the extent that our fabrication companies and our machine shops can access new technology, flexible manufacturing techniques, and marketing techniques.

So the real test for our industries is determined by how effectively they are able to get into your system. Will be Manufacturing Technology Centers and other NIST extramural programs reach our industries in a meaningful way?

Secretary BROWN. I think we have to operate it much, Mr. Mollohan, like we have operated the Agricultural Extension Centers ear-

lier in this century, which were a great boon to the agricultural sector of the economy and to American economy.

Mr. MOLLOHAN. Is that where you are going with these proposals?

Secretary BROWN. It is. That is the concept.

I might say that I have been visiting our Manufacturing Technology Centers, most recently the one in Cleveland, the Great Lakes Center, which gave me——

Mr. MOLLOHAN. That one has been up and operating and has quite a track record.

Secretary BROWN. It does, but it also can serve as a model.

You raise a good question. It is the same question I raised, and that is, what kind of outreach are we doing? A lot of small and medium-sized businesses just don't even know that these Centers are around. They don't understand what kind of effect they can have on their activity.

Mr. MOLLOHAN. They are pretty busy trying to make the payroll.

Secretary BROWN. Right. I think one of the things we have to do a better job of is doing that kind of outreach, that kind of communication with businesses, not waiting for them to come knock on the door, but going to knock on their door and letting them know what is available and that is one of the things that we are trying to focus on as we expand our manufacturing outreach operation.

INTRAMURAL PROGRAM

Mr. MOLLOHAN. Well, I am also interested in the Intramural programs. If you are really going to build up this extramural effort, it seems to me that you have to, at the same time, build up the in-house capability at Commerce with your Intramural programs.

Secretary BROWN. Well, the Intramural program would be the one most hurt by the kind of congressional decision that you indicated was being considered, which would make us much less effective in being able to reach the goals that we have set. And I might add that when we talk about these Centers, we are not talking about high technology necessarily. We are talking about any technology that makes American business and industry more productive so that they can expand and hire more workers, so that they can get into the export marketplace and feel comfortable in doing so.

Mr. MOLLOHAN. And the marketing part of it is very important.

Secretary BROWN. Very, very important.

Mr. MOLLOHAN. Thank you, Mr. Chairman.

Mr. SMITH. Mr. Kolbe?

Mr. KOLBE. Thank you, Mr. Chairman.

Mr. Secretary, welcome.

Secretary BROWN. Thank you, Mr. Kolbe.

Mr. KOLBE. I will tell you again how much I appreciated the efforts that you made and in working with your staff on behalf of the North American Free Trade Agreement this last fall.

Secretary BROWN. We appreciated yours, Mr. Kolbe.

PATENT AND TRADEMARK FEES

Mr. KOLBE. It was a pleasure to work with you on that.

I am going to direct most of my questions to another area of trade with Japan, but before I do, I have one specific question that I would like to ask about a very small part of the budget and that is the Patent and Trademark Office where you are zeroing out the appropriation because, according to the footnote at the bottom, it reflects a technical proposal of crediting all user fees directly to PTO.

Does that require a legislative change or are some fees currently being collected sufficiently and is there an administrative decision to put some of them in the general fund? Tell me what the change is there.

Secretary BROWN. It does require a legislative change. It does indicate our desire to use all of those funds for the purpose—

Mr. KOLBE. Currently, what percentage of the funds goes in? Do you know what it is now, legislatively, that goes to the general fund?

Secretary BROWN. Twenty percent has to be appropriated. Eighty percent is paid for from the fees.

Mr. KOLBE. That is exactly what I figured, a 20 percent amount. So this requires a change in the legislation, and I think that is important, Mr. Chairman, for this Committee to keep that in mind—that an authorization change is required before that really could take place.

ACCESS TO THE JAPANESE MARKET

I wanted to ask the questions that I had mostly in the area of Japan, which, I believe, the Administration is obviously quite concerned about. It has been much in the news recently with the failure of the talks between the U.S. and Japan and the Administration's decision to take a different tact with that. I believe—and let me make it clear that I think we have the same goal, which is to try to get access to the Japanese market—we do not have access to that market.

I agree that it is closed. I just happen to think that the Administration's method of trying to change that is a wrong approach.

The thing that stands out so starkly to me, when you look at the Japanese economy, is the lack of direct foreign investment in Japan. Direct foreign investment there, only about 1 percent of all product sales in the Japanese economy, comes through foreign company channels, while it's 16 percent in the United States, and that is roughly the same percentage in the other OECD countries.

It is unbelievable—direct foreign investment in Japan is less today as a percent of the Japanese economy than it was in 1963, when Japan joined the OECD with the idea of opening its economy to internationalization.

Direct foreign investment is a key to this thing, and somehow we have to figure out a way to change that. I don't think that the Administration's approach—managing by the numbers—is really the right approach, but that is my own philosophy on this. I think we need to target deregulation in Japan.

FOREIGN AND COMMERCIAL SERVICE OFFICERS IN JAPAN

I am wondering, how many foreign and commercial service officers do you have in your budget for Japan? Do you contemplate any

increase in the effort to target that market, rather than just the retaliatory measures that the Administration is talking about?

Secretary BROWN. While we are getting those figures, let me respond, if I could, Mr. Kolbe, to your general question and your general concern.

My staff is so efficient they have already told me. It is 61.

[CLERK'S NOTE.—Subsequent to the hearing, the following information was provided:]

Included are 15 American officers, 2 American secretaries, and 44 Foreign Service Nationals. This includes 4 officers who will arrive this summer and 6 Foreign Service National vacancies currently being filled.

Mr. KOLBE. Sixty-one currently? Is there an increase in there for this next year? Is there any contemplation of an increase?

Secretary BROWN. Maybe one or two.

Mr. KOLBE. Okay.

Secretary BROWN. An overall increase, I am told, of 21 for the United States Foreign and Commercial Service, and it is an area where we are focusing on overall. Up to two or so of those could be in Japan.

TRADE DEFICIT WITH JAPAN

Let me just respond to your general question. First, I appreciate the fact that you share our desire to open those markets and acknowledge that they are not open. We made a judgment early on, Mr. Kolbe, that it would be irresponsible for any administration to sit on its hands and do nothing in the face of last year's \$50 billion trade deficit with Japan. And now a year later, the trade deficit is \$60 billion, and growing.

We have to take concerted action to open those markets. We have taken a consistent, aggressive, tough approach. I believe that that approach is going to bear fruit. I know there has been some criticism of it. I honestly believe that one of the problems has been in the past that the Japanese have not thought we were serious.

We would constantly talk in sharp rhetoric, walk up to the precipice and then back off. I believe now, for the first time in the history of our bilateral relationship, economic relationship, the Japanese understand that we are serious. We have no desire to escalate. We have no desire to enter into a war of words. We have no desire to start a trade war—that would be ridiculous, not in our interest, not in the interest of the Japanese, not in the interest of the world economy. But it seems to me that we do have to insist that those barriers be removed. If American goods are the goods, products and services of choice in almost every other place in the world but one or two, we have to assume that there is some barrier that the government and the private sector has to remove, and we are going to continue to press for open markets.

TRADE WAR WITH JAPAN

Mr. KOLBE. Mr. Secretary, I am heartened by your words about not wanting to get into a trade war, but would you concede that we could—that is a possibility—that we could be in the incipient stages of a trade war?

Secretary BROWN. I think it is most unlikely, Mr. Kolbe. I think we are already seeing at least a change in rhetoric from the Japanese. Would I expect that there would be a change in action as well? I do not believe that it is likely or probable that our actions would escalate to that point. It certainly is not our desire.

MARKET DEVELOPMENT COOPERATOR PROGRAM

Mr. KOLBE. Mr. Chairman, my last comment. I have shared a draft bill with your staff which would try to expand America's business presence in Japan that has two parts.

One is to increase the authorization for the Market Development Cooperator program by \$3 million, and that targets trade associations, helping them establish a presence in Japan. I think the Market Development Cooperator program is a good one.

It also would ask for a feasibility study for the concept of having a Trade and Technology Center located in Japan at a useful location. I have talked to American businesses over there. You probably have not had a chance to see this bill, but I would hope you might take a look at it. With the things you are talking about doing here in terms of advanced technology, this is exactly the kind of thing we ought to be doing in terms of targeting the Japanese market for access.

Secretary BROWN. Not having reviewed that, Mr. Kolbe, I don't want to respond specifically, except to say that that thrust is a thrust that we share. We think that there needs to be more emphasis in that area; there needs to be more exchange kinds of programs generally.

We have sponsored some of those, as you know, in the past. As a matter of fact, just a couple of weeks ago, I sent off a whole group of American executives who are going to be in Japan for a year under the sponsorship of the Commerce Department.

US-JAPAN VIEWS ON OPENING MARKETS

I also want to say, Mr. Kolbe, that there are very many positive aspects of our relationship with Japan that go beyond our trade relationship, and we are very conscious of those and very conscious of preserving and enhancing those, as we are of our trade relationship. Although we might differ on some strategic decisions we share, I think that we have to open markets and make sure that American companies are competing effectively and are marketing their products effectively; that we are ready when those markets do open, which I believe they will.

There certainly has been some encouraging news about the progress of discussions on the Motorola issue, some steps in the right direction, and the fact is that there are many American companies that are achieving some success in Japan.

If I might give you one example, though, which causes us reason for thought. When I was in Tokyo last April, one of the things I did was to visit Apple, Japan. It has really been an American success story. They have been in operation for less than a decade and have a 10 percent market share, but they are excluded from the biggest market: educational institutions.

JAPANESE GOVERNMENT PROCUREMENT

A decision that the Japanese government can make, government procurement, is to open that up. So even the American companies that have been successful have been very constrained in their ability to compete effectively, and it is just that kind of situation that I am hopeful that the strategy we are pursuing will affect in a positive way.

Mr. SMITH. Mr. Moran?

Mr. MORAN. Thank you, Mr. Chairman.

Let me also join in the applause for your leadership, Mr. Secretary. As you know, the Commerce Department in the past has had a record for being something of a dumping ground for socialite, big contributor types, and other than reporting statistics and controlling exports, it didn't show a lot of economic leadership. Now, however, it is being taken seriously, as you know, in a lot of sectors of this economy. And you and the President deserve a lot of credit for that.

MANUFACTURING TECHNOLOGY CENTERS

There are a couple of areas, though, particularly where business people seem to feel as though the reality is falling short of the rhetoric. One is with the NII grants, the National Information Infrastructure grants. I want to ask Mr. Irving about this, and we obviously like his leadership on this. We seem to be constrained by having to give out a lot of small grants that people in the information community feel are more likely to be one-time shots that will benefit a fairly limited number of people. Although those people would tend to be underprivileged, they are not necessarily going to be contributing in a major way to the advancement or expansion of the information infrastructure.

The other is with the Manufacturing Technology Centers. Some people feel that some of these may be something of a rear guard action, trying to protect the industries of the past, which tend to be more capital-intensive oriented than the high-technology information-oriented industries of the future, which are likely to provide more jobs.

Let me start with the latter and get some insight from you. On what kinds of Manufacturing Technology Center focus do you expect to see in the expanded MTC network? Because you are asking for more Hollings centers to be established. So how would you see them contributing to the pace of new technology?

Secretary BROWN. First, Mr. Moran, I very much appreciate your comments and your concern. I think we need to do both things. I don't think they are mutually exclusive. The fact is manufacturing represents about 20 percent of our GDP; information technology, about 10 percent right now, admittedly growing. We have done a recent survey of the manufacturing sector and we have finally stemmed our decline. It had been declining at about a percent a year over the last 20 or so years.

We have found that there is great volatility in the manufacturing sector. While we have been losing about 10 percent of the jobs in that sector a year, we have been gaining about 9 percent, new jobs, and those new jobs are gained in companies that avail themselves

of new technologies and become more productive and make giant leaps forward and employ new people. So I think you can focus on both and do it effectively.

Specifically, I think Manufacturing Technology Centers, manufacturing outreach will differ where it is applied in our nation. In North Dakota, for example, you might have a different kind of manufacturing technology approach than you do near the Silicon Valley or in the Massachusetts area, for example.

I think we want to tailor them with that in mind, with geography and demographics and the kinds of businesses that are there and the kinds of help and resources they can use.

NATIONAL INFORMATION INFRASTRUCTURE GRANTS

On the NTIA question, as you know, Mr. Moran, we have just started the process under the leadership of Larry Irving who comes from Capitol Hill and clearly understands some of the concerns that you have about the direction of the National Information Infrastructure.

I don't think there is anybody better to lead that than Larry Irving. We just made an announcement last week about the process that we will be going through. We expect the first grants to be made in late September, so we have just really begun the process.

As you know, there is a 50 percent match on the part of the applicants, and so that has some influence on who applies for the grants.

I indicated in my testimony earlier, Mr. Moran, that we are very concerned about not creating a society of information haves and information have-nots. I think we can use the NTIA grant program to make sure that we move in the right direction, to make sure that we can help drive demand, so to speak, through this kind of test-bed approach, making sure that private investors who are actually going to build and run this system have the right kind of incentive, the right kind of motivation to do what is right for America, to make sure that we reach all of the American people.

I think that that is part of the thinking that is going in shaping the program. But we certainly will take the concerns that you have articulated into consideration as a part of that grant-making process.

GOVERNMENT-GUARANTEED EDA LOANS

Mr. MORAN. I appreciate that, Mr. Secretary.

The only other area, and then I don't want to take too much time here, but I do share a concern that Mr. Mollohan and others have addressed. This proposal is creating a new program within EDA for government-guaranteed loans.

I am very supportive, obviously, of the leverage you can get from government-guaranteed loans, but I have a concern that we may be replicating much what SBA is doing. You should know that the Administrator of the Small Business Administration said last week that he had this concern and was afraid that this was going to create a fair amount of duplication. Of course, one of the problems with putting it through EDA may be that EDA tends to be more concentrated geographically and demographically than the SBA.

The SBA has a much broader constituency, if you will, and more people know how to get into the process and apply for SBA loans. You put this new initiative within EDA, and even though you say it is going to complement existing programs a lot of people are going to see it as duplicative. A lot of others are not even going to know about it, because EDA clearly doesn't have the outreach that SBA has. So please address that a little more.

Secretary BROWN. Absolutely.

First let me say that I respect very much and support the work of SBA, and we probably should have had more consultation with Mr. Bowles before we came over to testify.

I have since talked to him on this issue. I think he has a clear understanding. There is no duplication whatsoever. This serves a different market. The SBA limit, as you know, is \$750,000. This would be a gap, kind of filler between \$750,000 and \$2 million. We think that it is essential, because there is a whole different approach to the SBA process and the EDA process; you are absolutely right in that regard.

The EDA process is a comprehensive process, community economic development. So this is a piece of a package.

What I have found, particularly in going out in these disaster relief situations and talking to businessmen and women around the country and hearing the complaints about their inability because of the limitations of SBA to get the help they need, we believe that this really does fill that gap. It gives EDA the opportunity to put together a comprehensive plan for the community that doesn't leave out viable businesses that are now being left out because of the limits that SBA has to operate under. So we think there is no duplication. We think we serve different markets. We think it is appropriate in the comprehensive sense, and my judgment is that after conversations with Administrator Bowles, he has an understanding of that as well.

Mr. MORAN. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. SMITH. Mr. Taylor?

Mr. TAYLOR. Mr. Secretary, I certainly support, as Mr. Kolbe said, your efforts in working with Japan. I may have some specific questions that I will submit in writing, but I would like to talk to you generally about Commerce today. There are no television cameras today like we had in here yesterday, so we will talk like we are in Ron and Eddie's Cafe down in North Carolina and just be frank.

TORT REFORM

Yesterday's Wall Street Journal, which is a leading national paper and certainly a leading business paper—although you may question which way it might go in its sentiments sometimes—talked about the need for litigation reform. I would like to read from it.

It says, "The Senate will get a chance to vote on an amendment by Republican Nancy Kassebaum that might revive a U.S. industry all but destroyed by America's nutty legal system."

I am quoting this. This is not necessarily my view.

"Her proposal would enact a statute of repose to bar lawsuits against makers of small airplanes after their products are 15 years old. That is hardly radical; lawyers could still sue before the statute kicked in. Yet the plaintiff's bar has been fighting as if it is the end of common law."

Then they go on to say "They were backed behind the scenes by"—he is a well-known attorney in D.C. and they call him—"the Beltway enforcer for the Association of Trial Lawyers of America."

It says, "It seems they even had the silent complicity of the Clinton Administration. White House aides hinted early last year that the National Economic Council would support this modest legal reform, but then it was mysteriously referred to the Justice Department as part of a 'study' of the entire court system. Reformers later learned there was no such study taking place. So Dan Glickman, a Kansas Democrat and supporter of a similar bill in the House (with 270 cosponsors) wrote President Clinton.

"Mr. Clinton replied on February 17th, finally identifying the study's leader, but Mr. Glickman wrote back and declared himself 'very disturbed' at the apparent runaround."

The article goes on to say, "This is the same White House that claims to be a friend of American business. Yet the general aviation business has been nearly wiped out by lawsuits. Indeed, such venerable U.S. trade names as Cessna, Beech and Piper have been punished for making planes that actually last a long time. That's because no matter how poorly the planes are maintained by their owners, or how badly they are operated, the manufacturers get sued as deep pockets after nearly every accident. Cessna was recently sued in Pennsylvania for breach of warranty on a plane built in 1946.

"To settle such claims, U.S. companies have had to price their planes out of sight. So the U.S. general aviation industry, which once ruled the world, has seen its unit sales fall to 880 or so in 1992 from 17,811 in 1978. Piper has filed for Chapter 11 and Cessna has not made a single-engine aircraft since 1986. Some 100,000 jobs have been lost"—and they go on and say, these are the "skilled, high-paying jobs" that I assume the Administration wants.

Now, I don't want to argue the political part of it. I can tell you that my constituents feel that excessive litigation and the litigious nature is costing jobs whether you run a riding stable or a restaurant or any kind of small business.

In the 1930s, F.D.R. reached in and found Joe Kennedy, who had been a rather aggressive stock trader in his life and brought him in to reform the Securities and Exchange Commission. And I wonder, coming from your legal background could we call upon you to be the public's champion, perhaps, to start taking some action?

I think it could have as big an impact on job creation and job quality in this country as anything that could be done. The President says it is his goal to make this country competitive. I can't think of anything that would make it more competitive than serious tort reform.

So I would ask you if you could perhaps speak in this area, and specifically ask if you could support the Kassebaum amendment vigorously as a first step in reform and perhaps other tort reform in the future? I think it could be very worthwhile.

Secretary BROWN. Well, Mr. Taylor, I appreciate and respect your point of view on this matter and your question clearly gives evidence that you understand how difficult and controversial an issue this is.

I am not prepared to be a champion until the administration decides what its position is. That process is underway now. I talked, as recently as last night, to Senator Hollings, as you know has a different view of the matter than you have. Those discussions are going on now specifically on the Kassebaum amendment. But they are ongoing on the broader questions that you raise.

I know how strongly many in the business community feel about this issue. I believe that one of my roles as the Secretary of Commerce is to be an advocate for the interests of American business and industry.

There is a good deal of debate, as you know, about what the real impact is and what it means and what has influenced the decline in certain industries, not only the aircraft construction industry in the United States, but others.

So I am not prepared yet to make that kind of commitment, Mr. Taylor. I am prepared to tell you that I understand the seriousness and delicacy of the issue; I understand the kind of impact it can have on our economy, and as soon as the Administration arrives at a position, we will communicate that forthrightly.

Mr. TAYLOR. Well, I appreciate your candor, Mr. Secretary. It is not, of course, just in airplanes, as you indicated. The former Secretary of Health and Human Services told us at one meeting that malpractice represents about 22 percent of our health care costs. And while you can argue over whether it is 20 percent or 22 percent, it obviously plays a significant part of the high costs in that area which we are talking about reforming.

So it seems to me it is going to be very difficult for us to have the kind of job creating we want, the kind of reform in health care, the kind of positive competition the President says he wants without getting into this. I know about heavy contributions and the influence and so forth that it creates, but I would hope the President could—and you, his Commerce Secretary, could be a leader in this area.

I would like to switch, Mr. Chairman, if I have a minute or two more.

Secretary BROWN. Could I just say, Mr. Chairman, I want to assure you that decisions aren't made at the Commerce Department based on heavy contributions or no contributions. They are based on our view of what is the best policy direction for our country to take.

Mr. TAYLOR. I appreciate that, but you had said the decision had been turned over to the White House, and I just assumed it was there.

ENVIRONMENTAL STEWARDSHIP AND ASSESSMENT

Mr. Chairman, I wanted to make one other brief comment about the Secretary's statement about environmental stewardship and assessment and just give a moment of pause there.

I think in your speech you said the Administration is committed to an environmental strategy that promotes sustainable develop-

ment and rejects the need for false choices between environmental goals and economic health. I am privileged to sit also on the Environment and Natural Resources Subcommittee of the Merchant Marine and Fisheries Committee, and we are knee-deep in all these things over there.

I am not as encouraged as you about the Administration's commitment to a strategy that promotes sustainable development and rejects the needs for false choices. The President can't be a master of every Department and every detail and on top of all of his Secretaries and things.

I think if you look at what has happened in his Option 9 timber plan for the Northwest—and we had a chance to cross-examine some of the Secretaries involved—that is turning out to be a disastrous decision for the economy. Lumber prices are up nearly three-fold. They expect them to go even higher. The cost of a house is going to go up anywhere between \$4,000 and \$7,000, based on that decision to go with Option 9, according to testimony that is coming in.

The unemployment rate is going up disastrously, and we finally came down to a point where we are not even sure that the spotted owl, which was the endangered species involved, is actually endangered. We know very well, though, that what is happening in the Northwest is a real problem.

Yesterday I met with members of the Pulp Workers Union and they talked about suicides in their industry and the real human impact these decisions were making. I notice you have a section in here that I presume will be tied to the National Biological Survey and also our movement in trying to reconcile a healthy environment and healthy economy.

I would hope you would talk with the Administration a little more in this area and do everything possible to see that we don't have the disasters that we are having out in the Northwest.

MARINE FISHERIES MANAGEMENT

Secretary BROWN. Well, thank you, Mr. Taylor, for those comments. We are spending a lot of time in dealing with these issues with great seriousness. One of the things that our budget request does is ask for about a 15 percent increase for marine fisheries management, and you mentioned the Northwest. There are some serious problems in New England now, because of species depletion, very, very serious problems that are going to affect the economic future of those communities.

One of the beauties of having the responsibility for the Commerce Department is we have an EDA and a National Marine Fisheries Unit that can to work together to make sure that we take into consideration the economic consequences of some of the decisions that we have responsibility for making.

We are trying to be proactive. You and I might not share the same assessment of optimism, but I think we are making some progress, and I think one of the reasons we are is that we have been able to do some things within one Department of government that gets us out of the need for the kind of lengthy interagency activities that are needed that allow us to be proactive.

I don't know if you were here when I mentioned, Mr. Taylor, that one of the things we have done is bring in someone to run a sustainable development unit within the Commerce Department who is a former mayor of a New England port city, New Bedford, Massachusetts, who has a real sense of the kinds of trade-offs that are involved in these decisions. But I certainly appreciate and respect your views on this matter.

Mr. SMITH. Mr. Skaggs?

EXPORT PROMOTION

Mr. SKAGGS. Thank you, Mr. Chairman.

Good morning, Mr. Secretary. Thanks again for your visit out in Colorado last week.

I wanted to talk to you about exports. First of all, a kind of left-hand/right-hand issue as far as the Administration is concerned; the tension between on the one hand the regulatory part of the government with respect to the medical devices industry and your colleagues at HHS and FDA; and on the other hand, your own responsibilities with respect to export promotion and balance of trade and competitiveness.

I have become well aware over the last couple of years that while we really have a substantial lead in biotechnical and medical devices in this country, some of the regulatory delays greatly impede our competitive position in our exports.

I am just wondering—I have discussed this with Under Secretary Good—what we are doing within the administration to integrate policies so that our regulatory folks, and they are people of goodwill and good intentions, don't gratuitously get in the way of other objectives.

INTERAGENCY COORDINATION

Secretary BROWN. Well, I think the interagency coordination that I discussed earlier is the best way to address this.

Again, because we have both trade and technology within the Commerce Department, we have been able to make some progress in that regard. I think we saw it in the final hours of the Uruguay Round of the GATT, having our technology people and our trade people working as part of a single team, believe it or not, on some of these overlapping issues.

All I can say, Congressman Skaggs, is we share your concern. There are pulls that seem to take us in opposite directions too often.

Mr. SKAGGS. Well, in this area in particular, that is the medical device area—I think there is legislation that is being worked with the Administration and private industry, as well as the responsible committees here, to try to find a way to have a designated application fee that can beef up the personnel at FDA and clear out the backlog, make a huge difference. The industry is willing to pay for it.

I just hope that your folks are weighing in on that in behalf of some kind of legislative remedy that can get us out of the woods.

Secretary BROWN. I think one of the things that is helping us in that regard, too, is, as you know, medical devices is one of the bas-

kets in our Japan framework discussion, so it has kind of forced us to deal with the issues that you outline.

Mr. SKAGGS. The other thing I wanted to mention, and I will have one question also, if I may, for the record having to do with the decompilation issue in Japan in particular, but I don't want to get into that right now.

Secretary BROWN. Thank you.

Mr. SKAGGS. And neither do you.

COORDINATION WITH STATE EXPORT PROMOTION OFFICES

But one thing I did want to mention to you, in addition to congratulating you on the efforts in the export promotion area, is to mention what I have heard at least from Colorado where we have a very vigorous and energetic export promotion effort at the State level, is to suggest that if you aren't already taking this tact, that the Department could exploit State Export Promotion Offices to a greater degree in a coordinated way.

In Colorado, for instance, we have developed really some good and effective relationships with Mexico, both at the governmental level and private environmental groups and so forth, and—any way, I think the potential for working with the states on this is a positive one.

Secretary BROWN. I couldn't agree with you more, Congressman Skaggs. We have talked for the last 13 months about redefining a whole set of relationships. One of them, the relationship between the public and private sector; one a relationship between and among the various units of the Federal government, the kind of interagency coordination that is needed. But I think one that has been neglected has been coordination between the Federal government and state, county and local governments, and in response to your question, particularly state governments.

We need to do a better job of that. There needs to be more communication first and then coordination, and that is how we have to work on it.

Mr. SKAGGS. Morgan Smith, who runs that shop in Colorado, would be delighted to get a call from somebody, and he has really thought this through and would be a good ally.

Secretary BROWN. That will happen.

Mr. SKAGGS. Thank you.

Thank you, Mr. Chairman.

Mr. SMITH. I am going to save my time for Mr. Price.

I will yield now to Mr. Rogers.

GREEN GROSS DOMESTIC PRODUCT

Mr. ROGERS. Mr. Secretary, you have requested a reprogramming of funds to do an initiative that is called the Green Gross Domestic Product, and I am here to ask you what in the devil that is?

Secretary BROWN. That is a good question, Mr. Rogers; something that every other industrialized country does. It is a measure of the value of our natural resources, how much of them are in the ground, how much of them are depleted, and what is the cost of that depletion.

It is a measuring rod that we think is important in order to keep us competitive, to look at factors in measuring our economy that our international competitors look at on a regular basis.

Mr. ROGERS. I am not sure what you are measuring, and why do you need to have this measurement, and how can you make a measurement of—

Secretary BROWN. Changes in the resources that our Nation has certainly affect our economy, our planning for the future, and our projections for economic growth. Resources are a very important part of our Nation's economic strength, and having an accurate measure of them is one factor that we would look at to measure that strength.

Mr. ROGERS. Don't we already measure most of this? The mines and minerals output reserves are estimated and measured.

Secretary BROWN. We don't now have a process of measuring their overall impact on the economy. There are some measures now, it is true, but not of the kind that we are suggesting.

Mr. ROGERS. Well, gross domestic product is an objective measurement. It is a yardstick that everyone understands. It is a measurable thing. It is numbers and figures that give us all an objective view of what the economy is like.

How can you objectively measure the monetary value of, for example, the environmental value of coal or timber?

Secretary BROWN. Well, let me say first that the measures that we are presently taking will not be eliminated. This will not be a substitute for them, but rather a complement to them. It will give us new information, more information than we have now.

I can't respond to you in a technical way about how those measurements are made, but I am assured that we do have a method for making those measurements and giving us a so-called Green GDP measurement.

Mr. ROGERS. Well, what is going to be the benefit of having such a thing?

Secretary BROWN. Well, one thing it could do, Mr. Rogers, is give us a way of assessing and evaluating the contribution that coal, for example, as a natural resource makes to our economy and its use in production and heating. We think that can be an important economic tool for us.

Mr. ROGERS. How much money are you asking for this initiative?

Secretary BROWN. \$1.5 million in 1995, Mr. Rogers, and \$300,000 in the reprogramming.

Mr. ROGERS. I am yet to understand what it is you are asking for.

Secretary BROWN. Well, we could frankly lay it all out. As a matter of fact, I would be pleased to have some of our people from ESA come up and meet with you and your staff and also give you some written materials on why we think it is important and what is happening in the rest of the industrialized world in making such measurements.

Mr. ROGERS. Well, I would appreciate a written report.

Secretary BROWN. Absolutely, Mr. Rogers. We would be glad to do that.

Report on Integrated Environmental-Economic Accounting

"Green GDP" is the short-hand or popular name for Integrated Environmental-Economic Accounting, an advance in national economic accounting that is spelled out in the United Nations handbook System of Integrated Environmental and Economic Accounts. This system, in turn, supplements a larger framework for national economic accounting called the System of National Accounts, which has been sponsored by the United Nations and other multilateral organizations and now adopted by most of the nations of the world.

Within the United States Government, the Commerce Department's Bureau of Economic Analysis (BEA), the agency that produces the national income and product accounts and GDP, is responsible for developing integrated environmental-economic accounting to supplement our national economic accounting system.

In the last week of April, BEA will publish a comprehensive report on integrated environmental-economic accounting or "Green GDP." The report will (1) review the concepts underlying integrated environmental-economic accounting, (2) discuss the major issues of methodology arising in the development of integrated environmental-economic accounts, (3) present prototype environmental-economic accounts for nonrenewable resources, including illustrative calculations and figures for the accounts, (4) discuss some of the strengths and weaknesses of the alternative approaches to developing the environmental-economic accounts, and (5) note how integrated environmental-economic accounting can improve understanding of the performance of the American economy.

Immediately upon release, copies of the report will be sent to all members of the House Appropriations Subcommittee.

Mr. ROGERS. I want you to point toward explaining how this would benefit any individual in this country or any business or any other interest, or whether, frankly, it is just a subsidization of the environmental movement. That is really what I am after.

Secretary BROWN. That certainly isn't what it is intended to be, Mr. Rogers. It is intended to give us valuable data that helps us in our economic analyses. But we would certainly be pleased to provide any information that would be helpful to you in that regard.

Mr. ROGERS. Okay. Well, thank you very much.

Mr. SMITH. Mr. Price?

Mr. PRICE. Thank you, Mr. Chairman.

Welcome, Mr. Secretary.

Secretary BROWN. Thank you, Congressman.

Mr. PRICE. Your associates, good to have you here. I want to start out by asking you to reflect on the implications of these budget decisions that we are facing in the House.

Today and tomorrow we are going to be debating budget resolutions, and we have, in looking at your submission, traced out the implications of the resolution reported by the Budget Committee. However, there is an alternative on the Floor sponsored by the Ranking Republican Member of the Budget Committee, Mr. Kasich, and my understanding is that that alternative would have especially serious implications for your Department.

Let me just review a few of those and then ask you to comment.

ECONOMIC DEVELOPMENT

We were talking earlier about the Economic Development Administration. This alternative budget would, as I understand it, it would actually shut down the EDA and would merge it into a consolidated block grant, and then cut those funds substantially.

The alternative budget that Mr. Kasich has proposed would totally eliminate, as I understand, the advanced technology program. No funding whatsoever. Now, there is a kind of general item in this administration budget, it says reduce the administration's investment spending, and we had some trouble in the markup getting the specifics on exactly what that meant.

But I think what it means is to simply cut out everything that you are proposing in the way of increased investments. That means none of the funding for the NIST programs and the Technology Administration, none of the funding to support the Under Secretary for Technology, Office of Technology Policy, as they undertake the administration's partnership for a new generation of technologies initiative; no funding for the National Information Infrastructure.

So it is a radical alternative to what we are talking about and what you are presenting to us here today, and I would appreciate your comment on what the implications for your work would be if that budget were to be adopted.

Secretary BROWN. Well, Mr. Price, radical is stating it mildly. It is draconian; it would be devastating; it would go to the very heart of the Administration's economic renewal, economic growth, and job creation program.

We believe it would be a serious mistake for the Congress to seriously consider such a legislative proposal. We believe this is just

the time in American history that we need to be investing in our economic future, that we need to be focusing on economic growth.

We also believe, and I am sure you share this view, that technology is at the very heart of our ability to grow economically. It might well be the key to our economic growth strategy. We think we are on the right track; we think the private sector believes that we are on the right track.

We think that a combination of the kind of invigorated trade policy, export promotion policy, and the kind of technology policy to include our commitment to the National Information Infrastructure gets more bang for the buck than almost anything that we can do in spending Federal dollars. Because it speaks not only to the present, but most importantly, it speaks to the future. So I would hope that the Congress would not give serious consideration to those proposals.

ELIMINATING ADVANCED TECHNOLOGY PROGRAM

Mr. PRICE. Now, as I understand it, we are not just talking about in this Kasich budget, we are not just talking about cutting the new investments, we are talking about totally eliminating the advanced technology program.

I am not sure why that is the target. Do you understand why—why would anyone propose the total elimination of that program? What kind of track record do we have here?

Secretary BROWN. Well, I would assume that there might be some ideological reasons, although I don't understand those, since that program was really initiated during a Republican administration. It has had strong bipartisan support through the years. So I am as puzzled and perplexed as you are, Mr. Price, by that kind of a suggestion.

Mr. PRICE. Mr. Chairman, I have another question which might be a bit lengthy. Maybe I should go vote and come back.

Mr. SMITH. Well, the other two are coming back. Whatever you want to do.

NORTHERN TELECOM

Mr. PRICE. Well, let me get started and then I may have to pick up a little later. It has to do—the Secretary won't be surprised—it has to do with one of the premier firms in my area and a very important firm in North Carolina, but it does concern some wider questions of policy.

The company is Northern Telecom. This is a Canadian telecommunications company that employees 10,000 of my constituents and employs 22,000 people nationwide.

Mr. Secretary, you have been very generous with your time and your attention; you have met with us twice this past year on particular matters, and as you know, another request is pending for you to meet with these Northern Telecom officials.

But it is worth your time and attention, because this is important. The immediate question is a pending bid for business in Saudi Arabia, but as you know, it goes farther than that. The guidelines companies for our officials providing assistance for companies in their export efforts clearly state that the U.S. has a na-

tional interest when the U.S. content of the goods or services to be provided exceeds 50 percent of their total value.

Now, we have situations in four countries in the recent past where Northern Telecom submitted bids that, if awarded, would have resulted in significant benefit to the American economy and to the American work force. Tunisia, over 50 percent U.S. content. Greece, about 55 percent. Saudi Arabia, 62 percent U.S. content. And last, but not least, Japan, 95 percent U.S. content.

Now, fortunately, in the case of Tunisia where local U.S. officials did help, did provide support, the Northern Telecom bid was successful. These other bids are all pending. But your Department, as I understand it, is pointing to language in the Trade Barriers Report that says, quote, "A preferred supplier relationship between Bell Canada, Canada's largest telecommunications service provider, and Northern Telecom, Canada's largest telecommunications equipment manufacturer, constitutes a barrier to U.S. telecommunications equipment sales."

Now, let me just line out a few questions and then I probably should go vote and ask you to respond when we resume. The first question, of course, is whether it is true that the language in the Trade Barriers Report is what has been the cause of your stance this year.

Secondly, are the reports true that your Department has been lobbying the U.S. Trade Representative to retain this language after they made an initial decision to drop the language? Are these reports accurate? And if they are accurate, what is the rationale for wanting this language included in the Trade Barriers Report?

Isn't that a decision that the U.S. Trade Representative ought to make independently?

Now, we talked to Ambassador Kantor at our hearing earlier this week. We cited his statement to Representatives Dingell and Markey that, again I am quoting, "The preferred supplier relationship between Bell Canada and its corporate affiliate, Northern Telecom, both of which are privately owned subsidiaries of Bell Canada enterprises, is not subject to GATT Article 3 disciplines nor does the relationship appear to be inconsistent with any provisions of the NAFTA."

Now, Ambassador Kantor then acknowledged that AT&T has similar preferred supplier arrangements. But he said in the case of AT&T, their procurements are quote, "nondiscriminatory". The fact is, despite AT&T's so-called open procurements, their arrangements are very similar, if not identical, to those between Bell Canada and Northern Telecom.

Here is a quote from the 1992 Telecom Publishing Group Research and Reports: "One of AT&T's network system's most important functions is its role as supplier of virtually all the digital switching and transmission equipment used in AT&T's long-distance network."

So it looks to be a distinction without a difference, and of course if any other country tried to object to this preferred supplier arrangement on the part of one of our fine companies, AT&T, I think we would object strenuously.

So the question is, aren't we simply in danger here of using technicalities as a reason for acting against the best interest of American workers?

Secretary BROWN. First, let me say I think you know, Congressman Price, that I am very sensitive to your concerns about this issue, and that is why we have had open dialogue about it, and I look forward to the meeting that is planned in the very near future.

We did react as we have in the past because of the advocacy guidelines that have been applied in the Commerce Department. The comments that you have just referred to that Mr. Kantor made recently, I believe, in writing to Mr. Dingell are new.

Mr. PRICE. That is right.

Secretary BROWN. This is a new occurrence, and I think we need to evaluate the situation based on that occurrence. It is not true, Congressman Price, that the Commerce Department has been lobbying the USTR to do something different than it has decided to do, but you have rightly indicated that there are new elements in the equation now; we ought to give those consideration, and we certainly plan to do that.

Mr. SMITH. Go ahead. Do you have another question?

Mr. PRICE. Well, I appreciate that indication of openness. That has been our experience in dealing with you on this, and we clearly have a lot more to talk about, and I appreciate the way you are approaching it.

Northern Telecom is the highest paying telecommunications company in the United States. Those 22,000 jobs in this country pay an average salary of \$25 an hour. It was the first U.S. supplier to penetrate the Japanese telecommunications market; it is a real success story for us.

I think you know, I have never sought anything other than simply a level playing field. We are not talking about any kind of special treatment or special favor. At the same time, we do want fair treatment for our companies that manufacture here and employ our people, and so the bottom line is high-paying, high-skilled jobs for Americans.

And if rendering assistance to a company will benefit Americans, I think we ought to be doing it with enthusiasm. So I look forward to continuing to work with you on this.

Secretary BROWN. Thank you, Mr. Price.

And you ought to certainly be assured of fair treatment as we move through this process. I must say, as I have indicated, that we want to review the situation in view of Ambassador Kantor's response. I need to point out that the practices don't have to be GATT-illegal to be trade barriers, and I think that is the distinction that we need to look at and examine to see whether a trade barrier does exist.

The Japanese keiretsu, for example, is not GATT-illegal, but it sure is a trade barrier to our ability to compete effectively in that market. I say that not as a negative, but just to put Ambassador Kantor's response in perspective, and to let you know that we are absolutely open to a discussion about it, absolutely open to giving that changed circumstance. It does imply a change in the way we

are looking at those market practices to consider those as we take another look at this matter.

Mr. PRICE. Okay. Thank you. Thank you, Mr. Chairman.

Mr. SMITH. Off the record.

[Discussion off the record.]

[Vote recess.]

TRADE ADJUSTMENT ASSISTANCE CENTER

Mr. MOLLOHAN [presiding]. Mr. Secretary, for the second year in a row your budget request has not listed anything for the Trade Adjustment Assistance Center funding under EDA.

Is it still the Administration's position that that program is duplicative of other assistance programs?

Secretary BROWN. We believe that we have taken care of some of that function with our manufacturing outreach efforts. It is not the same program. We have had to make, like all other departments, some very tough budget decisions, and I know that some of them have been controversial.

We think we are being careful not to let enterprises like those that were served by the program that you make reference to fall between the cracks with other EDA programs, including our loan program that is something new that we are suggesting for this year.

But you are right, Mr. Mollohan, we have not recommended funding for that effort.

EDA DEFENSE CONVERSION FUNDING

Mr. MOLLOHAN. Well, I understand that you have provided grants under EDA defense conversion funding to the TAA Centers for providing assistance to firms impacted by the downturns in the defense industry.

How does that action correspond to your proposals to eliminate the program and perhaps not to provide assistance in other industries?

Secretary BROWN. Well, you are also right in that there is an opportunity under the program that you just mentioned to fund those kinds of efforts. It means that we are not doing what we used to do with that program.

We think that we are filling the gap in other ways, for example, the way that you just mentioned, in the area of defense conversion.

Mr. MOLLOHAN. But there are so many other areas that fall under that category of defense conversion. How do you pick them up?

Secretary BROWN. We think that they can be picked up by other EDA programs, one of which is the loan guarantee program that I just mentioned.

Mr. MOLLOHAN. How does that happen?

Secretary BROWN. And also the Manufacturing Extension Partnership work that puts us in direct contact with small businesses. But I don't want to misstate, Mr. Mollohan. It is true that specific effort has been depleted, even with our efforts to pick up some of the gap. You are absolutely right.

Mr. MOLLOHAN. Well, the problem that I have with that is that, while I am extremely supportive of all of the new NIST programs

like the manufacturing and the outreach programs, they are not reaching my constituency yet, and trade adjustment assistance is there helping my companies.

And while I think these other programs have the potential of reaching out to us comprehensively, I am concerned that we are cutting this program off, except for areas of defense conversion.

I guess there is a feeling on the Subcommittee, and I am not speaking for anybody here, but just kind of assessing the mood as I have heard it, that the Commerce Department is really turning out a lot of support for defense conversion problems. In and of itself I don't have a problem with this. In fact, I support it, because I am extremely sympathetic to economic hardship wherever it exists or for whatever reason. But if your support for defense conversion comes at the expense of other programs serving traditional economic problems, then I begin having a real problem with the agenda. Will you speak to this bias; this shift in emphasis at Commerce?

Secretary BROWN. There certainly is no intentional bias.

Mr. MOLLOHAN. You feel that, though, don't you?

Secretary BROWN. From the questions I have gotten this morning, I certainly understand the concern of most of the Committee. I just want to reassure you of my commitment to the traditional public works kind of approach, to the approach that you have mentioned on the trade adjustment assistance front.

What we have tried to do is to find ways that we think give us the most bang for the buck, the greatest spread, the greatest ability to have a real impact, and we have made some trade-offs, there is no question about that. We are all making very tough, sometimes excruciating budget decisions and trying to rationalize them as best we can.

And I take to heart the concern that you have expressed and that other Members of the Committee have expressed, and I think we need to, in going forward, make sure that we take those concerns into consideration.

Mr. MOLLOHAN. When you say the traditional public works approach, I think I understand that you mean EDA grants which go to infrastructure in an industrial park and other similar activities, right?

Secretary BROWN. Yes.

Mr. MOLLOHAN. How is your defense conversion program different from that? What does it target? How do you spend money to rejuvenate those industries?

Secretary BROWN. First of all, I think there are some similarities. I think one of the differences is reliance on the kind of revolving loan fund approach, trying to leverage dollars—

Mr. MOLLOHAN. Involving loan or guarantee programs—

Secretary BROWN. Both.

Mr. MOLLOHAN [continuing]. To individual businesses?

Secretary BROWN. No, not to individual businesses, to communities, and to fiscal intermediaries. In other words, trying to leverage dollars, just as the loan guarantee fund that we have proposed does. So it is different in that respect.

Some of the targets are the same, but as I indicated in response to some of the other questions, we think it is a more comprehensive

approach to community economic development, not to the exclusion of the other approach, but that it allows us to tie some things together. What we have discovered is sometimes you can take care of a business, for example, but if the entire community is in economic decline, business is going to soon follow in that same direction. So we have been trying to find ways to deal with communities in a more comprehensive way.

Mr. MOLLOHAN. And is that applicable to the areas that the EDA programs have traditionally targeted?

Secretary BROWN. It is applicable to what we are doing all over the country.

Mr. MOLLOHAN. Well, I will be interested in following that up.

Secretary BROWN. We will too. We need to evaluate it and make sure we are having the kind of results that we want.

MANUFACTURING TECHNOLOGY CENTERS

Mr. MOLLOHAN. I want to talk with you a little bit about the Manufacturing Technology Centers and learn how we really get down to reach the small manufacturer. I will add, too, that I have the same question with regard to your export initiatives. I think that Mr. Skaggs asked you a couple of questions in that regard.

For our traditional industries to grow, they need access to that kind of information; and that kind of resource needs to be available to the local people and local manufacturers. I note that you have initiated this in your programs and I think that is really tremendous.

But I notice in your one-stop shop pilot projects you have targeted—Baltimore, Chicago, Miami, and Long Beach.

Secretary BROWN. Right.

Mr. MOLLOHAN. And in your opening statement, you referenced—that you wanted to reach small and medium-sized areas or businesses.

I am just wondering, wouldn't it be better to conduct the pilot projects in four areas that were demographically and economically different, so that you can fashion this program, to meet a variety of localities, and be able to adapt the program to the differing economies?

DEMOGRAPHIC CONSIDERATIONS OF ONE-STOP SHOPS

Secretary BROWN. We are trying to get the kind of demographic spread that you suggest and certainly geographic spread as well. That is the beginning of that effort, and we are trying to do it in a way that is cost-effective.

This is really a matter of co-locating facilities—Eximbank, SBA, Commerce, just to name three—to find a facility, to get the other agencies to move with us, to try to do it within our present budget authorization.

They are not easy judgments. But I will agree with you, and I will assure you that we will take those demographic considerations into account as we expand.

I would love to have these one-stop shops all over the country, and as we move in that direction, we need to assure that we give particular emphasis to small and medium-size businesses, as I indicated in my earlier remarks.

Mr. MOLLOHAN. Either Mr. Skaggs, or Mr. Price asked a question about the coordination effort. I understand that there are some turf problems here and that is creating some slippage in getting the coordinated efforts underway.

I think you said you had two under way in your oral testimony?

Secretary BROWN. I was incorrect. We have four in operation now.

Mr. MOLLOHAN. What are you doing about that slippage problem? Are you hands-on with that?

EXPORT ADMINISTRATION ACT REAUTHORIZATION

Secretary BROWN. I would like to think that there is not slippage. I am very serious about my leadership role in the coordinating committee, the necessity to follow up and remain vigilant.

Maybe some people who have talked about that have talked about it in terms of the Export Administration Act reauthorization. We made some giant steps on the issue of export controls or decontrols, export licensing generally. There have been some who thought some of the earlier conversation in preparation for the Export Administration Act, there was some backsliding on that.

I am very sensitive to that; the President is very sensitive to that. This is something that he is committed to, to making these changes, again in the context of reassuring the American people about our concern about nonproliferation and arms control and national security matters. Obviously, there will be destination exceptions in all of these decisions. But we are in a decontrol mode.

Mr. MOLLOHAN. Okay. One more observation, Mr. Secretary.

One measurement of success is in the implementation of good ideas. I wasn't just saying it earlier, I think you are doing a tremendous job of pulling all of these programs together and trying to focus on today's problems in our economy.

Secretary BROWN. Thank you.

Mr. MOLLOHAN. But a lot of times our success, or lack of success, is measured by how these programs are carried out and how they play out at the local level, whether it is a grant program or whatever.

From our experience in West Virginia, I think, there is a need to look at the length of time it takes to process grant applications. Even after grant applications are approved, we often have recipients calling back 4 weeks after it has been approved because the money has not yet come down.

I know that there is obviously a paperwork process that has to be followed and there are a lot of different levels to the issue. I know that you have good intentions about this issue. What I want to ensure is that, in good faith, this intention is carried out. In other words to ensure that whoever has that responsibility in the Department is really reflecting your effectiveness. I would like to suggest to you that there might be some improvements in that area.

Secretary BROWN. I couldn't agree with you more, Mr. Mollohan. We need to do a better job, need to be more efficient, we need to move the grant process more rapidly.

I am pleased now that we have Will Ginsberg, who is sitting over here, running EDA, putting in a management system that will help

us to do just that. Clearly, as we ramp up, as we have more resources to manage, the expectations of us are higher, and they should be higher.

As you well know, over the past 10 or 12 years, there has been an effort to zero out EDA, which I think would be a disaster for the country.

Mr. MOLLOHAN. It would be harmful to us, I can tell you.

Secretary BROWN. Well, it would be harmful all over America. We are very pleased with the team that we have put together at EDA now. Will has very significant experience at the local level, which is one of the reasons that I asked him to come and join the team. So he is very sensitive to issues of speeding up the process, making it efficient, allowing people at the local level to have confidence in what we are doing. So I take your criticism and concern——

Mr. MOLLOHAN. Really, I do not offer this in the way of a criticism. At these hearings we express concerns, but, at the same time, I really want to share my praise for EDA. Everybody in that whole EDA program is very well intentioned. They each have been given a responsibility, and it just seems to take a long time to process that responsibility.

I don't have any criticism.

Secretary BROWN. And maybe cut out some layers in the process.

Mr. MOLLOHAN. You know, that occurs to me as well. I hope that is something that you could look at.

Thank you, very much.

Secretary BROWN. Thank you.

Mr. MOLLOHAN. Mr. Moran.

Mr. MORAN. Yes. Thank you, Chairman Mollohan.

I have got a lot of questions, but they can really be asked of your assistant secretaries and we will be hearing from them this afternoon and next week.

FEDERAL DEPOSITORY LIBRARY

But there is one series of questions that I was asked to inquire of you by the Legislative Branch Appropriations Subcommittee, and I think it reflects a particular concern of the Public Printer. Apparently the NTIS is distributing Federal documents to the Federal Depository Library System.

I understand this is probably not your highest policy priority, but we are going to have to address it. And you are asking for \$6 million more to get some new equipment, and then another \$6 million to improve dissemination to these Federal depository libraries.

Well, this is exactly what the Public Printer and the Federal Depository Library Program does, and then you are asking for authorization to develop a Federal information locator system. Well, we just gave the Library Depository Program authorization to develop a Federal information locator system. I think it is a very good idea and an important thing as part of the information highway to make Federal information available on line through InterNet. In fact I would like some assurance that the Commerce Department is going to do that, beyond census and statistical data and really put information that is publicly available and useful on line to computer users, both in the public and private sector.

But I am afraid we got a program here that at least on paper appears to be very duplicative, and I need a little policy explanation on the record from you.

Secretary BROWN. Certainly.

Mr. MORAN. I think I filibustered long enough so you can find out what the issue is.

Secretary BROWN. I appreciate that. Let me say that I appreciate your support of our commitment to get the Commerce Department on line. We need to be in order to be effective and efficient.

I understand that all documents printed by the Government Printing Office are supposed to go to the depository libraries. However, depository libraries don't believe they are getting all of them. Whatever the depository libraries are not getting are referred to as fugitive documents.

We are familiar with the issue, or at least the staff is, and we will get on top of it and make sure that we get back to you with a response.

[The information follows:]

The National Technical Information Service (NTIS) maintains the single most comprehensive collection of Federally funded scientific, technical and related information in Government. The NTIS mission is to disseminate scientific and technical information, not just Federal information but technical information from any source, foreign, or domestic.

NTIS operates on earned revenues, and thus like a private business, they must provide information to their customers in the form that they seek. In November 1992, as part of a Congressionally mandated feasibility study, NTIS initiated FedWorld, an on-line information dissemination system. What began as a gateway to other Federal on-line systems in the area, has since grown to a robust electronic marketplace supporting over 120 simultaneous users: 60 dialog modem users, 30 telnet (Internet) users and 30 simultaneous FTP (Internet) users. FedWorld currently handles about 3,000 connections per day and registers about 300 new users each day. FedWorld provides access to more than 3,000 files in 22 libraries, from which over 1,000 files are downloaded daily.

In the process of developing regulations to implement the Congressionally mandated transfer to NTIS of all Federally funded scientific and technical information, several public comments suggested the need to ensure that agencies are encouraged to fulfill their obligation to the nation's depository libraries under Title 44.

NTIS responded to the public concerns in the final rule by offering online access to the depository libraries for: (1) a monthly listing of all information provided to NTIS from Federal agencies under the new rule and (2) full text of products provided to NTIS by agencies in an electronic form.

The electronic listing will differentiate between those documents received by NTIS that were available through the Depository Library Program and those that were not, the so-called "fugitive" documents. The system will enable depository libraries to indicate which of the fugitive documents they would like to receive. NTIS will provide that information to both GPO and the originating agencies. The fulfillment of the depository library requests, which is the responsibility of the agencies, will be coordinated with the GPO Depository Library Program. NTIS has no

interest in duplicating the functions of the Depository Library Program managed by GPO.

To the best of our knowledge, none of what NTIS now offers online, duplicates anything that GPO is doing. Thus far, no one, including the Public Printer, has suggested that NTIS should not provide access free of charge to the depository libraries or that what NTIS proposed to do for them would be an unnecessary duplication of what GPO does or wants to do. NTIS and GPO are developing a memo of understanding between them to avoid duplication in this area in the future.

The operation of an on-line information system by NTIS was specifically authorized in the American Technology Preeminence Act in 1992. The system, which we call FedWorld, is a well-tested system currently providing a broad array of electronic dissemination services for a host of other agencies. Even the GPO Bulletin Board was made accessible via Internet through FedWorld well before GPO could provide such access directly.

The funds requested to enhance FedWorld will further accelerate its already rapid expansion to enable somewhere on the order of 50,000 users per day. The funds requested for the depository libraries are intended to enable those that are not currently capable to gain access to the ever-increasing volume of Government information available online. While the vast majority of depository libraries do have such capabilities now, there are a number that simply lack the resources to keep pace with the electronic revolution. The requested funds should help to prevent them from becoming "information have nots."

Mr. MORAN. We found out that what NTIS and the Commerce Department is doing is making available these fugitive documents to the Federal Depository Library Program, which of course pricked their ears.

While fugitive documents are not quite as sinister as they sound, but I think we have got a fair amount of duplication, and it might make sense for the library program to make available the documents that the depository libraries want and not for the depository libraries to be going around them to NTIS to get them.

But that is something—we got your commitment to the record; you are going to look into that, and I have fulfilled my mission here, Mr. Chairman, and the other questions that might not be so softball, we will save for the assistant secretaries.

Thank you.

Mr. MOLLOHAN. I think, Mr. Secretary, you have fulfilled your mission here, and we very much thank you for your testimony and the opportunity to work with you.

Secretary BROWN. Thank you. A pleasure to be here today. Thank you.

[The following questions were submitted to be answered for the record:]

Questions Submitted by Congressman Smith

Environmental Stewardship

QUESTION:

You are proposing to offset some of your funding increases for fishery and coastal programs through increased fees under the **National Oceanic and Atmospheric Administration (NOAA)**. Your requested appropriation language assumes \$88 million in additional fees will be collected. What is the status of that fee proposal, and when will the proposal be submitted for review by the Congress?

ANSWER:

The proposal to increase user fees by \$88 million under NOAA is comprised of \$82 million in living marine resource fees, \$3 million in additional aeronautical chart fees, and \$3 million in marine sanctuary management fees.

With regard to the living marine resource fees, a proposal has been transmitted to OMB and the necessary legislation is being drafted. We expect to have the proposal submitted to Congress in the very near future in association with the reauthorization of the Magnuson Act.

The FY 1995 figure for aeronautical charts represents a target figure for increased collections based on an increase to the amount charged for these products. The Commerce Department has the authority to raise the fees on its products including aeronautical charts, based on P.L. 103-121.

An Administration working group is developing an implementation plan for a sanctuary fee system. At present, NOAA has the legal authority to charge concession-type fees, but does not have the authority to charge individuals for non-concessionary activities, such as scuba diving, snorkeling and boating. When a final proposal is developed, it will be submitted to Congress.

QUESTION:

Have you worked with the Merchant Marine and Fisheries Committee on this proposal, and could you tell us what their reaction has been to these fee increases?

ANSWER:

In developing the living marine resource fees, we have worked not only with the Merchant Marine and Fisheries Committee, but also included the Senate Commerce Committee Staff and representatives from industry and the environmental community. All parties acknowledge the need

for generating resource fees, as well as the fact that all other users of public resources contribute fees. The timing is right to address this issue as it pertains to the Nation's living marine resources. We believe our proposal is a balanced one, and given the fact that NOAA has already requested a 22% increase in National Marine Fisheries Service funding for living marine resource programs, progress can be made in reaching an acceptable proposal with Congress.

With regard to marine sanctuary fees, progress is being made in preparing a proposal that can be forwarded to Congress. The Administration believes that users of these sanctuaries should be required to help offset the costs of maintaining them.

Environmental Assessment and Prediction

QUESTION:

You have an additional initiative under NOAA for Environmental Assessment and Prediction. What is the status of the **modernization of the National Weather Service**, and how does this program relate to this initiative?

- a. Is the development and procurement of new weather service systems on track?
- b. What changes have you made in the management of this program to ensure that the cost overrun and other problems experienced in the past are not repeated?

ANSWER:

The modernization of the National Weather Service remains NOAA's highest priority with the overall modernization costs peaking in FY 1994. In FY 1995, the decreases requested for the NEXRAD procurement and the Weather Forecast Office Construction reflect significant progress toward the goal of completing the modernization.

The Environmental Assessment and Prediction portfolio contains the following three NOAA programs: Advance Short-Term Forecasts and Warnings; Implement Seasonal to Interannual Climate Forecasts; and, Predict and Assess Decadal-to-Centennial Change. Completion of the National Weather Service Modernization is a key part of the Advance Short-Term Warnings and Forecasts Program.

- a. The National Weather Service's modernization efforts, as a whole, have not been delayed.

The **GOES** program schedule has experienced a 2-month delay since the inception of the Systems Program

Office (SPO), due to instrument qualification delays. Costs were not impacted. GOES-I was successfully launched on April 12, 1994.

Since FY 1991, there have been no cost overruns or schedule delays in the NEXRAD and ASOS Programs.

The ASOS Program is meeting the DOC schedule for delivery of systems through 1995. The Program Office is currently negotiating with the production contractor to restructure the remaining portion of the contract to accommodate a revised FAA funding profile for the program. Contract negotiations are expected to be completed by the end of April, 1994.

Sixty-six Tri-agency NEXRAD systems have been delivered; system deliveries are on schedule. Commissioning is a NWS, DOD, or FAA responsibility. To date, two systems have been commissioned: one each in Guam and Oklahoma City. Plans call for the commissioning of twelve NWS NEXRAD network sites in FY 1994.

The cost profile of the AWIPS Program through the completion of nationwide deployment (mid 1998) remains, as previously estimated at \$474.5 million.

A programmatic issue relating to the system design has recently arisen. NOAA has sent the contractor (PRC) a notification that the System Design Document does not meet the Government's requirements. We are currently working closely with the contractor to resolve this issue. We anticipate a delay of between two and six months in the Development Phase of the program.

Although not a "system", NOAA is requesting an increase of \$45.5 million in the next phase of the modernization program (MARDI), which entails staffing and training and associated system work required to operate new Next Generation Weather Radar (NEXRAD) units. Acceleration of the program is needed to close the gap between facilities construction and major system deployments to fully utilize the capabilities of the new technology. We do not plan on closing any offices until the new offices, with their enhanced systems, have been proven to be both reliable and effective.

- b. In FY 1991, through a Congressional Notification of Reprogramming, NOAA created the SPO as an independent procurement function with full responsibility for the design, procurement, and acceptance of new systems within NOAA. These responsibilities include acquisition strategy, program phasing, acceptance testing, and budget. This Office reports directly to

the Deputy Under Secretary for Oceans and Atmosphere, thereby, removing the acquisition process from the exigencies of day-to-day operations.

This arrangement has served NOAA well, as significant progress has been made in all programs under SPO control.

QUESTION:

How will the **Climate and Global Change** program fit in under this initiative? Have you reached a point in the Climate and Global Change program research where you can make determinations about the climate and global processes on long-term weather forecasts?

ANSWER:

The Environmental Assessment and Prediction portfolio contains the following three NOAA programs: Advance Short-Term Forecasts and Warnings; Implement Seasonal to Interannual Climate Forecasts; and, Predict and Assess Decadal-to-Centennial Change. The Climate and Global Change Program is included within the second and third programs. NOAA is requesting an FY 1995 funding level of \$84 million for NOAA's portion of the U.S. Climate and Global Change Research Program (USGCRP) which translates to an increase of \$21 million over the FY 1994 appropriation. Of this increase, \$14.7 million will support NOAA's program, Implement Seasonal to Interannual Climate Forecasts, and \$6.3 million will support the program to Predict and Assess Decadal-to-Centennial Change.

Research conducted under NOAA's Climate and Global Change Program has advanced to a point where credible climate forecasts, particularly of El Niño, can be made seasons to a year in advance. Presently, climate models and their predictions are experimental and skill varies from region to region. NOAA's requested increase to implement seasonal to interannual climate forecasts will initiate the transition of the Tropical Ocean - Global Atmosphere (TOGA) program research results into operations of climate prediction centers and their required observing and data systems. This research will continue under the Global Ocean - Atmosphere - Land System (GOALS) to improve modeling and predictive capabilities and will focus beyond prediction of El Niño in the tropical Pacific to include other factors, such as other tropical ocean sea-surface temperatures, higher latitude oceans, and land soil moisture, that may also influence climate change over seasons to years. This program is the only focused Federal effort aimed at providing predictions, seasons to years in advance, of climatic events and their consequent impact, like the floods in the Midwest U.S. last summer.

For the Decadal to Centennial aspects of the program, NOAA continues to provide state-of-the-science input into national and international assessments of climate change and stratospheric ozone depletion, particularly the Intergovernmental Panel on Climate Change. NOAA is examining how climate will change into the next century as a result of ongoing and proposed changes in greenhouse gas emissions.

A focus of the Climate and Global Change Program is on the role of oceans in decadal climate change and developing the capability to anticipate "surprises" in the climate system. The cost of developing this capability to predict the effects of expensive policies such as greenhouse gas stabilization is far less than the actual cost of implementing such policies. NOAA is also developing predictions of how the ozone layer will rebuild in response to the elimination of chlorofluorocarbons. Equally as important is research centering on the effects of chlorofluorocarbon substitutes on stratospheric ozone depletion and on greenhouse warming.

National Performance Review

QUESTION:

Your Budget in Brief (page 14) refers to the National Performance Review and its impact on the Commerce Department. What is the status of the Commerce Department's implementation of the NPR recommendations?

ANSWER:

Implementation has begun on approximately 83% of the 47 NPR issues for the Department of Commerce. Included are actions of the Trade Promotion Coordinating Committee (the first report was released to Congress last September); an overhaul of the export licensing program (the Bureau of Export Administration has established a working group and is pursuing several efforts); and the establishment of a Manufacturing Technology Data Bank (the National Institute of Standards and Technology is working on a comprehensive strategic plan to provide access to existing data bases). We have either referred on to other agencies the balance of the original issues, or are evaluating them further for potential implementation.

QUESTION:

Mr. Secretary, do you agree with all of the Commerce-specific recommendations of the National Performance Review?

ANSWER:

I applaud the work of the Vice President's National Performance Review team and its report on the Department of Commerce. Indeed, I sponsored the Vice-President's "Town

Meeting" with Commerce staff in our headquarters building last year, in which the NPR process was a prime subject for discussion. I fully support the NPR recommendations, which I know to be the result of many arduous hours of effort over a seven-month time frame. I am hopeful that the Congress will facilitate my implementation of the NPR ideas, by supporting the reorganization and budget requests we have made, which are necessary if the NPR ideas are to be brought to fruition.

QUESTION:

Does this budget request reflect any costs or savings resulting from the implementation of NPR recommendations?

ANSWER:

Our FY 1995 request includes funding to implement two NPR recommendations relating to trade. The Bureau of Export Administration is requesting an increase of \$4.4 million to streamline the export licensing process and liberalize export controls. The International Trade Administration (ITA) is requesting an increase of \$11.2 million to refocus and leverage export promotion efforts. Both increase requests address recommendations made in the Trade Policy Coordinating Committee's report entitled National Export Strategy.

QUESTION:

I understand that the Commerce Department has implemented its own performance review to follow up on the Vice President's recommendations. What is the scope of this departmental review, and how does it differ from the efforts of the Vice President's task force?

ANSWER:

I was a firm supporter of the National Performance Review when the President announced it, and I was determined to apply the same approach to the Commerce Department itself. As the public sector agency which has perhaps the strongest ties to American business and industry, I want to be sure that we can make the same kind of dramatic improvements here in Commerce that I see being implemented across the Nation. I believe Commerce has a responsibility to lead by example, so I launched a reinvention effort to move us in that direction. The Commerce Performance Review (CPR), like the National Performance Review, is designed to bring

government the same techniques long since applied in the private sector. Techniques such as strategic planning, business process re-engineering, selective rightsizing, and organizational streamlining are vital to that purpose. To this end, the CPR is seeking to create a culture that encourages innovation and focuses on bottom-line, pragmatic results.

The CPR is an ambitious reinvention effort which started when we asked for help from Departmental managers, supervisors, and employees. They responded with nearly 8,000 ideas, 50 detailed proposals from cross-cutting teams, and 100 recommendations from focus groups. We've started five "reinvention laboratories" and we believe that some innovative new ways of doing business will emerge from them. We're surveying our customers for their ideas on how we can better serve them.

All of this information tells us that we must look for new ways to conduct our work and for putting those suggestions into practice. I'm counting heavily on my Deputy, Dave Barram, to help me reinvigorate the Commerce Department and meet the President's goal of making the Federal Government more efficient and less expensive.

EDA Defense Conversion

QUESTION:

You are asking for \$140 million under EDA for defense conversion activities, an increase of \$60 million over the amount provided in FY 1994. Last year you asked for only \$33 million for EDA defense conversion programs. Do you intend for this program to continue growing at this pace? When will these increases level off?

ANSWER:

The \$140 million being requested for defense conversion activities in FY 1995 will enable EDA to respond to the increased pace of base closure activities in 1995 resulting from the 1988, 1991, and 1993 base closure rounds. Additionally, EDA will be assisting communities adversely impacted by defense contract reductions and cancellations and reductions at Department of Energy facilities. The next scheduled round of base closures (BRAC '95) is widely anticipated to be more severe than any previous round. EDA is expecting that the pace of defense adjustment activity will be sustained at a substantial level for several years. EDA's funding needs for defense conversion are based on the rate of base closures and contract reductions. EDA's defense conversion estimates will reflect any changes in these estimates.

QUESTION:

Why are you not proposing the use of the loan guarantee program for the defense conversion activity? Would defense conversion-related businesses be eligible for the loan program you are proposing in this request?

ANSWER:

Defense impacted businesses are not precluded from participating in the proposed loan guarantee program.

Information Infrastructure

QUESTION:

You are proposing to continue Department of Commerce efforts in the development of a national information infrastructure (NII). What is the status of an overall plan for such an infrastructure and the development of standards for the NII?

ANSWER:

The Administration's vision of bringing an interactive, broad based, digital information infrastructure to all Americans as we move into the 21st century is based on the private sector leading the way in owning, operating, and maintaining the NII. In the past year, we have seen countless examples of how the private sector is rolling out the NII, such as telco and cable companies expanding and replacing the existing wire network with fiber optic cable, and information service providers rallying to help ensure that they have access to the information infrastructure. We have also seen many examples of industry working with educators and health-care providers to show how the advances in telecommunications and information technology can be applied to improve the lives of our citizens. In his January 11 speech to entertainment and media executives in Los Angeles, the Vice President issued a challenge to the entire communication industry to support the Administration in its goal to connect every school library and health care facility to the information highway by the year 2000.

The Clinton Administration has also been equally proactive in laying out the foundation needed to bring the NII vision to reality. Last September, the Vice President and I released the Administration's Agenda for Action, which spelled out the plans we are undertaking to help bring the NII to all Americans. We have created a very active Information Infrastructure Task Force, comprised of representatives from all Federal agencies with a stake in the NII, to help pave the way in developing Federal policies to further stimulate the private sector in

developing the NII. Working closely with the White House and the Congress, we are crafting legislation to make sure that the laws governing the telecommunications and information industries are consistent with the technology advances that are driving those industries. We have established a private-sector NII Advisory Council that is providing direct input into our policy-making process. As part of this effort, we are forging a public/private sector partnership to better coordinate the development of the standards needed to ensure an interconnected, interoperable nationwide information infrastructure that is available to all people.

QUESTION:

You are requesting an increase of \$74 million for information infrastructure grants in FY 1995, for a total program of \$100 million. What is the status of this demonstration grant program in FY 1994? How many grants do you expect to make in this fiscal year? How is the Department responding to the recommendations made by the Congress in the reports accompanying the 1994 Appropriations Act?

ANSWER:

The Notice of Availability of funds for the FY 1994 NII grants program was published in the Federal Register on March 4, 1994. A press conference was held on March 7 to further highlight the funding notice. So far we have answered over 3,300 requests for the notice and the guidelines for applying for a grant. The grant applications are due to the Department by May 12. We are in the process of setting up the review panels that will be required to help assure that we will be in a position to announce the grant recipients by mid-September. The number of grants that will be made will be a function of the quantity and quality of the applications we receive. We will assure that the grant awards reflect the wide diversity of technologies used (fiber, coaxial cable, wireless), social applications (education, health-care, libraries, community information services), targeted areas (core-inner city, rural, socially/culturally disadvantaged), and geographic regions of the country, in order to demonstrate the benefits of connection to the NII to our citizens across the Nation. The Department will review all proposals submitted to this program in an objective, unbiased manner, using the criteria spelled out in the Notice of Availability of funds.

QUESTION:

What is the status of authorizing legislation for the national information infrastructure plan? Is your funding proposal consistent with legislation being considered by the Energy and Commerce Committee?

ANSWER:

H.R. 2639, The Telecommunications Infrastructure and Facilities Assistance Act of 1993, authorizes the new NII grant program. It was passed by the House on October 26, 1993. A similar bill, S. 1883, The National Telecommunications and Information Administration Authorization Act of 1994, was introduced by Senator Inouye. Assistant Secretary Irving testified in support of that bill before the Senate Communications Subcommittee on March 1, 1994. The legislation's funding for FY 1995 is consistent with the Administration's proposal.

Patent and Trademark Office

QUESTION:

You are requesting that the entire Patent and Trademark Office (PTO) be funded off budget through fees, and that the Special Fee Surcharge Fund be eliminated. However, CBO has scored the loss of revenue from the Fee Surcharge Fund against our Subcommittee. How is the Administration proposing to offset this proposal, and when will a PAYGO offset package be submitted to the Congress?

ANSWER:

The CBO has scored the PTO with \$107 million in discretionary spending authority and with \$107 million in mandatory offsetting receipts. This is the same scoring mechanism used by the CBO for the PTO in the 1994 budget cycle. CBO and the Budget Committee concur in the fact that the request has no PAYGO implications.

The Administration is currently investigating alternatives to its initial 1995 appropriations language for the PTO. The Administration is also in regular contact with staff members of the CBO and of the Appropriations, Budget, and Judiciary Committees.

QUESTION:

Have you had discussions with the Judiciary Committees regarding this fee proposal? If so, please tell us what the reaction of the authorizing committees has been to the proposal?

ANSWER:

Initial meetings with the Committees regarding the Administration's proposed appropriations language were positive. The Committees have previously expressed concern over diversions of prior years' spending authorities away from the PTO Fee Surcharge Fund to other non-PTO programs.

Staff from the Senate Judiciary Committee participated in a meeting among representatives from the Administration and from the Committees on Appropriations and Budget. They are aware of the scoring issues facing the Appropriations Subcommittees as a result of the Administration's proposed 1995 appropriations language for the PTO. They have also expressed opposition to increasing revenues through additional user fees.

The Administration is also in regular contact with staff from the House Judiciary Committee. We will work with Judiciary on alternatives to the Administration's proposal for PTO appropriations language in 1995.

Competitiveness Policy Council

QUESTION:

As you know, this subcommittee also funds the Competitiveness Policy Council (CPC), an independent agency chartered to make recommendations to the Congress and the President on how to improve the Nation's competitiveness and to analyze the impact of Federal initiatives regarding competitiveness. What has been your involvement with the Council, and how does this budget request respond to the CPC's recommendations?

ANSWER:

The Under Secretary for Technology has been involved with the CPC through her participation in the Critical Technologies Subcommittee. CPC's four key recommendations show that it shares many of the same goals as the Clinton Administration: (1) increasing the national investment in civilian and dual use R&D; (2) promoting the commercialization of strategic technology; (3) creating a world class technology base; and (4) as part of the broader recommendation to reorganize certain U.S. institutions for better results, the CPC recommended enhancing the capabilities of the Technology Administration and making it a focal point for industry analysis and international technical information.

The President's budget request for TA responds to each of these by:

- o expanding NIST's ability to provide cost-shared funding to industry for high-risk, high-payoff research on new enabling technologies, providing hands-on technical assistance to small and medium-sized manufacturers through a national network of service providers; expanding the Malcolm Baldrige National Quality Award Program to the health and

education communities; strengthening its vital in-house laboratory research program; and to continue its much needed modernization and construction program;

- o providing NTIS with the ability to hasten the Government's response to increasing public demand for government-wide transition to electronic communication; and
- o providing our Under Secretary for Technology with the resources needed to systematically assess the health of the manufacturing base; helping industry measure how it stacks up to the best that international competition has to offer; helping industry improve its access to foreign science and technology; and assuming important government-wide coordinative responsibilities, such as the Partnership for a New Generation of Vehicles and the National Science and Technology Council's Committee on Civilian Industrial Technology.

Advanced Technology

QUESTION:

You are planning to conduct several smaller "rounds" of ATP awards by program area beginning in FY 1994. How are these program areas defined, what specific program area competitions are being conducted in FY 1994, and how will you expand on this concept in the coming fiscal year?

ANSWER:

In the focused program area competitions, as well as the general competitions, all program ideas come from industry. The four criteria for selecting focused program areas are: potential for U.S. economic benefit, strength of the technical ideas, evidence of strong industry commitment, and the opportunity for ATP funds to make a significant difference.

Through a series of public meetings with industry, NIST found widespread support for the idea that focused program competitions can help maximize ATP's leverage by driving key strategic technology areas. The U.S. technical community responded by submitting more than 550 ideas for program areas. The program areas will be chosen shortly, and the first focused area competitions should be announced in April. In FY 1994, the ATP plans to hold four or more focused program competitions and one general competition.

In FY 1995, if the President's budget request is approved, ATP plans to hold six program competitions and one general competition.

QUESTION:

Such a rapid rate of growth in the ATP program will lead to the need for additional oversight for the grants and more specialized staff to review the proposals. Does this budget request include adequate resources for the management and oversight of the ATP program?

ANSWER:

The ATP has been pilot tested and designed from inception to be national in scope. The funds in the program are for activities performed in the private sector; therefore, ATP will not require large increases in NIST personnel. For FY 1995, ATP will operate with a total staff of about 60. The staff includes grants and contract specialists, public affairs specialists, attorneys, and specialized technical staff for a variety of programmatic areas. This will be sufficient staff to administer the expanded program.

Manufacturing Extension Program

QUESTION:

Another important external program in the area of civilian technology is the manufacturing extension partnership. You are requesting an increase of \$33 million, bringing the Commerce resources for this program up to \$68 million. How many manufacturing extension centers are currently funded, and how many additional centers will be funded out of this budget in FY 1995?

ANSWER:

Sixty-one million dollars of the \$68 million is being applied to the Manufacturing Extension Partnership, representing an increase of \$31 million. The remaining \$7 million supports the Quality Program.

	Extension Centers		Total
	Supported by NIST Funds	Supported by TRP funds	
FY 94	7	28	35
FY 95	22	42	64

QUESTION:

Additional centers will be opened with funds made available through the technology reinvestment program (TRP) under the Department of Defense, though they will be managed (and funded in subsequent years) by NIST. How many additional

centers are being funded in FY 1994 and FY 1995 with the DOD funds?

ANSWER:

See chart above.

QUESTION:

Are the centers opened with TRP funding subject to the same criteria and oversight as the existing MTCs and MOCs funded under NIST? How will you ensure that all the centers are functioning under the same guidelines?

ANSWER:

Yes, the TRP-funded centers are subject to the same selection criteria, process and oversight as the existing NIST funded MTCs, including the cash matching requirement for MTC-sized centers. The smaller extension centers, comparable to MOCs, were considered in terms of the requirements in the House and Senate versions of authorizing legislation for the Manufacturing Extension Partnership. From the beginning of the process, it was the NIST intent to cause the TRP-funded centers to mesh seamlessly into the Manufacturing Extension Partnership (MEP) framework.

All extension centers are being managed by MEP as if they were NIST-funded centers; the performance, evaluation, and reporting requirements are identical to NIST-funded centers. TRP centers will have an opportunity to be "rolled over" to NIST funding as MTCs or MOCs, subject to:

- a) quality of performance,
- b) continuing need for the services they provide,
- c) appropriate legislative authorization, and
- d) sufficient appropriation.

A formal process for reviewing centers for roll-over is described in their cooperative agreements.

QUESTION:

Is there a plan for the geographic distribution of these centers?

ANSWER:

By 1997, when the system of 100 extension centers is in place, NIST plans to have manufacturing extension services accessible to essentially all of the 370,000 smaller manufacturers in the U.S. Larger concentrations of firms will be served by larger centers; lower areas of concentration will be served by smaller centers; and sparse areas will be served by state-based or local industrial

extension programs which receive funding under the State Technology Extension Program (STEP) component of MEP. It appears that, with the 35 centers now funded, the proportional coverage of firms is on track. An MEP economist is working with economists from the Agricultural Research Service to do a careful analysis of present and projected coverage by MEP-managed extension centers. NIST will provide copies of this study when it has been completed.

Impact of Budget Resolution

QUESTION:

Have you had a chance to review other cuts proposed by the Budget Committee, and could you summarize for us the impacts of those cuts on the Department's FY 1995 initiatives?

ANSWER:

The House Budget Resolution identifies \$3.1 billion in specific cuts to keep the total discretionary spending within the spending cap using CBO scoring assumptions. Of the \$3.1 billion in House cuts, about \$1 billion are assessed against our Subcommittee with assumed reductions in Justice and State as well as Commerce. The following summarizes the impacts of those cuts on the Department's FY 1995 initiatives:

- o Function 300, which includes NOAA, shows an \$82 million reduction to eliminate all increases although it is labeled "undistributed cut". If applied literally, the cut would force a reduction in the pace of weather service modernization, eliminate all increases for fisheries programs, and prevent enhancements to NOAA participation in the national goals for global climate change and high performance computing and communications.
- o Function 370, which includes most Commerce programs, assumes a \$128 million cut in NIST. Also, an unspecified \$27 million reduction would be applied to this function category and may additionally decrease Commerce programs. These cuts would undermine the President's technology programs and lead to a loss of American jobs, as well as weaken trade initiatives under our trade promotion coordinating committee export proposals and our export control programs.
- o Function 450, which includes EDA, shows a specific reduction to EDA salaries and expenses of \$2 million. This would make it more difficult to accelerate/streamline our grant programs.

- o Function 920 includes increased Government-wide savings of \$827 million from buyouts/reduced personnel.

Export Promotion

QUESTION:

Your budget justifications state that the Bureau of Export Administration (BXA) has an initiative to provide export licensing and control technical assistance to the countries of the former Soviet Union. What level of resources are you proposing for this initiative in FY 1995? How receptive are these countries to these anti-proliferation initiatives?

ANSWER:

BXA's budget request seeks 9 positions, 7 FTE and \$935,000 to provide technical assistance to the newly independent nations (NIS) of Eastern Europe, the Former Soviet Union Republics, and other proliferation risk countries.

This is a government-to-government assistance and cooperation program to help officials in newly emerging nations and other countries of concern to develop export control programs similar in scope and effectiveness to those of the United States.

Funding will be used to strengthen bilateral technical assistance in order to develop effective, multipurpose systems of export controls to prevent proliferation, and loss of other sensitive technologies in nations comprising the NIS (particularly the nuclear republics of Belarus, Kazakhstan, Russia and Ukraine), Eastern Europe and nations outside this region (especially those in southeast Asia, Far East and Latin America). This will advance international export control cooperation, trade and economic integration while reducing the proliferation threat.

The countries of the former Soviet Union that BXA has worked with are very receptive to anti-proliferation initiatives. These Newly Independent States (NIS) understand that effective export control systems will assist each country's evolution toward a market economy and will enhance trade, economic integration, and non-proliferation goals. These countries' commitments to establishing effective controls are codified in government-to-government agreements. Belarus, Kazakhstan and Ukraine have signed such agreements, and technical assistance programs are planned. In January, 1994, the U.S. and Russia signed a memorandum of intent to cooperate in the area of export controls.

To date, post-agreement implementation has proceeded furthest in Belarus. Belarus was the first NIS country to sign an agreement. In October, 1992, the United States and the Republic of Belarus signed an agreement of assistance on the establishment of an export control system to prevent the proliferation of weapons of mass destruction from Belarus. The assistance program began in 1993. Technical assistance has been provided to the Republic of Belarus by BXA and other agencies this year under the agreement.

In response to Belarus Government requests, BXA has provided technical assistance applicable to the development of export control laws, administrative organization, export control procedures, licensing, preventive enforcement and automation systems.

Principal BXA actions:

- Assessment of Belarus export control system requirements.
- Safeguards training/instruction on preventive enforcement.
- Conduct pre-license and post shipment checks in Belarus.
- Hosted Belarus delegation of export control officials for U.S.-Belarus Program Development of Export Administration Systems; and for U.S.-Belarus Program on Legal and Administrative Issues in Export Control Development.
- Developed design specifications for automated system for Belarus export control system license process.
- Similar technical assistance will be provided to other countries during FY 1995 using the resources requested.

QUESTION:

You have stated that, as a result of the work of the Trade Promotion Coordinating Committee which you chair, a unified budget for export promotion programs will be submitted by the President. Please describe for us the review process for export promotion budget requests for FY 1995. How much input have you had on the requests of other departments and agencies? Please provide for us a cross-cut of all agencies' requests for trade promotion programs in FY 1995.

ANSWER:

The President's FY 1995 budget submission represents the first presentation of a unified export promotion budget. In submitting the first-ever budget cross-cut for export promotion, the Administration has taken a first step in an evolutionary process that will identify and address market imperfections inhibiting U.S. exports.

Although the ten major agency programs depicted in the following table do not represent every Federal program, it is an important beginning.

FY 1995 President's Budget Request
Export-Related Expenditures
(Budget Authority in millions)

<u>Agency</u>	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>
Department of Agriculture	\$2,460	\$2,044	\$1,887
Department of Commerce	239	264	280
Export/Import Bank	675	1,045	845
Overseas Private Investment	18	17	20
Department of Energy	4	9	33
Trade and Development Agency	40	40	45
Small Business Administration	19	10	15
Department of State	297	403	205
U.S. Trade Representative	20	21	21
Department of Treasury	<u>7</u>	<u>7</u>	<u>7</u>
Total	\$3,779	\$3,860	\$3,358

While not exhaustive, this cross-cut represents an important first step in presenting a unified budget for export promotion. It is the opinion of the TPCC that much more needs to be done if we are to present comprehensive budget submissions that set priorities wisely. Consequently, the TPCC is in the process of analyzing how export promotion funds are spent, sector by sector, market by market, and intends to tackle the issue of performance measures. Using this data, we will determine how shifts in resources might boost exports and create jobs in our domestic economy, a tool that will go far in helping establish programmatic priorities.

As Chairman of the TPCC and member of the National Economic Council, I was actively involved in determining the Administration's priorities in the FY 1995 budget process and developing the TPCC recommendations which served as a guide to priorities. Specifically, the major priorities were defined as follows:

- o potential for high marginal growth rates;
- o potential for creation of value-added jobs;
- o expansion of Latin American and Asian markets; and
- o high technology exports.

Working together, in a spirit of enhanced interagency cooperation, we will develop a strategy to guide our future efforts.

Economic Information Infrastructure

QUESTION:

Another of the Department's themes for this budget request is the Economic Information Infrastructure. You are requesting a total of \$358.8 million for this initiative.

How does this proposal differ from the Boskin initiative proposed by previous Administrations?

ANSWER:

At the beginning of the Clinton Administration, the new leadership established a working group to review the strengths and weaknesses of the economic data produced by the principal Federal statistical agencies. The Department of Commerce's Bureau of the Census and Bureau of Economic Analysis (BEA) and the Department of Labor's Bureau of Labor Statistics participated in this review.

The working group concluded that some of the shortcomings identified by the prior Administration and the remedies it proposed (generally referred to as the Boskin proposals) were valid but that other statistics also required strengthening in light of the new Administration's economic priorities. The FY 1995 proposals for improving the quality of economic statistics are the outcome of this review process.

Of the total FY 1995 request of \$358.8 million, only \$8.5 million are for program initiatives specifically directed at improving the quality of economic statistics. Of the \$8.5 million, \$6.5 million cover proposals denied during the FY 1994 appropriation process. We are re-proposing them again for FY 1995 because they represent the highest priority, highest payoff areas for improving economic statistics.

New in FY 1995 are initiatives to strengthen the infrastructure of the economic statistics system, such as the proposal to restructure the Standard Industrial Classification (SIC) system at Census (\$2.4 million) and the proposal to re-engineer the data collection and processing system at BEA (\$3.3 million). New, also, are \$2.6 million in initiatives at BEA and Census for expanded collection and analysis of environmental data; these initiatives are included in the Department's "Environmental Stewardship and Assessment" general initiative.

Roughly speaking, of all the FY 1995 initiatives aimed at improving the quality of economic statistics, about half can be said to be holdovers from the Boskin initiatives, but reaffirmed by the new Administration, and half reflect the goals of the new Administration.

QUESTION:

How do improvements in the collection and dissemination of economic data serve the business community? How has the business community been involved in the development of this proposal? What will be the impact of not receiving the requested increases in FY 1995?

ANSWER:

Four examples of how American business benefits from improved economic data follow:

(1) Given the enormous expansion in international trade, American companies need to compete on a level playing field, which in turn calls for effective and aggressive trade negotiations by the U.S. government. One of the starting points for good trade negotiations is agreement among the parties about what trade statistics to use and what they show. Negotiations can not proceed effectively when the negotiating parties cannot achieve agreements about the basic facts.

The Bureau of the Census has developed a regular program for reconciling trade statistics with Canada, Japan, and the European Union. It has also started reconciliation projects with two of our fastest growing trading partners, Mexico and China. Thus, the United States government can represent the interests of American business better because the facts on international competition are becoming more accurate and less open to dispute by our trading partners.

(2) A major factor affecting the competitiveness of American companies is the extent to which they adopt advanced technologies in their manufacturing operations. Questions for American management revolve around the norm for American industry, that is, what technologies are being adopted and how extensively? A new survey series introduced by the Census Bureau provides answers.

Based on surveys of almost 10,000 companies, Census provides detailed information on the use of 17 advanced technologies in manufacturing. The facts for 1992 will be published in the next several weeks. Another survey, again of almost 10,000 companies, examined in detail the factors affecting the adoption of these advanced technologies. The facts for 1991 were published in September 1993. This is a unique information source. The surveys are developed in collaboration with several of the government's technical agencies. The Automation Forum, a collection of business organizations covering engineering and production automation, has praised this Census activity.

(3) U.S. business and U.S. financial markets are intensely interested in the monthly trade statistics reported by the Federal Government. The details in the trade numbers are examined for clues about the changing competitiveness of American industries and individual firms, and the composition and swings in

the trade numbers are examined for their impacts on the foreign exchange market.

Up to now, however, the numbers ignored trade in services, reporting only trade in goods. Starting with the report issued March 22, 1994, covering trade for January 1994, the federal statistical release will cover trade in both goods and services. For the first time, U.S. service companies will have a monthly benchmark against which to compare their own trade performance. And financial markets will have a much more accurate picture of America's overall competitiveness in the international marketplace. Better business and financial market decisions should be the outcome.

(4) Good economic data and information helps American business only if it gets to business quickly and in forms that are easily digested. The organizations within the Economics and Statistics Administration have worked steadily to get the facts to American businesses quicker and in increasingly user-friendly forms.

We pioneered the Economic Bulletin Board (EBB), which now has over 4100 customers ranging from Fortune 100 companies and major banks and financial institutions to hundreds of small businesses. We then added EBB-FAX. We created the National Trade Data Bank (NTDB), which is a tool now used routinely by businesses engaged in exporting. We added the National Economic, Social, and Environmental Data Bank (NESE.DB), which is rapidly expanding in size by the addition of business related Federal documents. We are now putting an increasing proportion of economic data on INTERNET. And we are working with universities to upgrade our software to a natural language query system. Our growing sales of all these products demonstrates that businesses want them.

Business influences our programs to improve economic statistics in a number of different ways. First, both the Bureau of the Census and BEA use customer surveys to assess the needs of business and our clients in general. Second, our statistical agencies have close contacts with umbrella organizations representing business users of our data such as the National Association of Business Economists, the National Association of Manufacturers, the Coalition of Service Industries, and the National Foreign Trade Council. Third, we have established special groups to get user input, such as the Census Bureau's Foreign Trade User Group, which meets twice a year and is comprised of 100-150 representatives of industry. Fourth, we make sure we collect only essential information by working with such groups as the Business Council on the Reduction of Paperwork.

In addition, our statistical agencies work one-on-one with businesses in the design of new surveys. For example, BEA is in the process of developing an international financial services survey. In this effort, BEA staff are working with American Express, Bank of America, Chicago Board of Trade, Chicago Mercantile Exchange, Citibank, Mastercard, Merrill Lynch, J.P. Morgan, and Visa, among others.

If ESA's statistical bureaus do not receive the increases requested for FY 1995, the program improvements will not go forward. For all practical purposes, the increases requested for FY 1993 and FY 1994 to improve the quality of economic statistics were denied. The progress that has been made has largely been financed by shifting resources from other programs, as exemplified by the reprogrammings at BEA in 1990 and 1994. The reprogramming well, however, is rapidly becoming dry.

Year 2000 Census

QUESTION:

As you are aware, this Subcommittee has been critical of the costs of conducting the last decennial census as well as the apparent unwillingness of the Census Bureau to step back and consider fundamental reform in the decennial census process. What steps are you as Secretary taking to ensure that the Year 2000 Census will be taken in the most cost-effective manner and with the least burden to the American public? What is the current estimated total cost of the Year 2000 Census, and how does that compare to the total cost of the 1990 decennial census?

ANSWER:

I am ensuring that the Census Bureau conducts early research to identify those methodologies that will address the two primary goals of the 2000 Decennial Census: **reducing costs** and **reducing the differential undercount**. Many innovations designed to reduce costs will be tested in the 1995 census test. A number of these innovations also would result in a reduced burden on the public. They include:

- o An easy-to-fill-out questionnaire with notifications for alerting and reminding respondents to complete the form.
- o Advanced sampling and estimation procedures to collect information for persons who do not return a census questionnaire.
- o Automated technologies to contact persons or to allow them to contact us.

- o Mailing out questionnaires in Spanish to areas that have high concentrations of Spanish-speaking households.
- o The use of the United States Postal Service to alert the Census Bureau to vacant housing units or mistakes on the address list, and to count and correct them early.
- o Working with state and local governments, and private and nonprofit organizations in partnership in taking the census.
- o Asking fewer questions at each household, on average.

The Census Bureau cannot estimate the total cost of the 2000 Census and compare this cost to the 1990 decennial census cost until the 2000 Census design is selected. This will be done subsequent to the 1995 census test and its evaluation.

QUESTION:

Are you considering significant changes in the number of questions asked on the Census form, and encouraging the use of sampling and other statistical methods to collect data not required by statute or by the Constitution?

ANSWER:

Most data currently provided by the decennial census is either mandated explicitly, or required indirectly by Federal law. The Census Bureau currently is working with the OMB and other Federal agencies to define agency data needs and the associated legal requirements for data to be collected in the 2000 Census. Part of this activity is to determine what topics need to be asked of everyone, and what topics may be collected from a sample.

The alternative data collection methods the Census Bureau is investigating have the potential of reducing the number of questions asked on the decennial census form. For instance, the Census Bureau is researching the "Continuous Measurement" methodology as an alternative to collecting sample characteristics in the census. With this methodology, only a small number of questions would be asked in the census year. Collection of data traditionally obtained on a sample basis in the census year would be spread out over the decade; thereby, producing more current information at somewhat less detail geographic levels.

We are also considering the use of a "matrix sampling" design involving the use of multiple sample forms. In this design, most respondents who receive a sample form will be asked only a portion of all the sample questions. Thus,

overall respondent burden as well as the burden on sampled individuals (households) would be reduced.

By late 1996, the Census Bureau will have completed its evaluation of both alternative data collection methods and compared the results. The Census Bureau will keep Congress informed as evaluation results become available and seek Congressional guidance on the preferred data collection methodology for the 2000 Census.

QUESTION:

Much of the data collected on the decennial census long form is requested by other Federal departments often at the behest of certain industry groups and others. What steps are you taking to work with your counterparts at other departments and with the Office of Management and Budget (OMB) to make certain that the information needs of the Federal government are met in the most efficient manner (not necessarily through the decennial census), and that the private sector contributes more of the costs of collecting data for its own use?

ANSWER:

o Assessment of Data Needs

As noted above, the Census Bureau recently has completed an analysis of the legal requirements for content requested by Federal agencies for the 2000 Census. The Office of Management and Budget will solicit Federal agency review and comment on this analysis and provide an opportunity for the agencies to further document these and any other legal requirements for census data. The Census Bureau expects to receive all responses from Federal agencies by mid-June and to produce a final assessment of Federal data needs by late August. This document will be used as the basis for considering state and local government data needs, as specified in the conference report for the FY 1994 budget.

We are examining several more efficient alternatives to collect data, both as part of the census (matrix sampling) and outside the census (through the use of continuous measurement). We are also testing the potential of administrative records to meet data needs more efficiently in the future.

o Reimbursement for Data Collection

The conference report for the FY 1994 budget directs the Census Bureau to "ensure that all

concerns of the Congress, the absolute data requirements of Federal departments and agencies, as well as state and local government data needs, are considered in the planning effort." Since the private sector is accorded no unique data collection requirements, the Census Bureau is not examining cost sharing with the private sector. The language did advise that "other Federal departments and agencies with significant data requirements will reimburse the Census Bureau for a portion of the costs of planning for and conducting the Year 2000 Census."

Many issues exist regarding how the Census Bureau would apportion funding responsibility fairly among both Federal and non-Federal data users. - For example, many Federal departments and agencies use decennial census data and the purposes for which the data are used are quite diverse. As stated in our January 1994 "Report to Congress on the Status of the Year 2000 Decennial Census Planning Efforts", it is a complex task to determine how the Census Bureau might allocate the cost of collecting the data among the Federal agencies. For example, most agencies use data from a relatively small subset of questions on the census form. In many cases, agencies require information from the same questions (for example, income). In addition, some relatively small agencies, such as the Equal Employment Opportunity Commission, may have significant data requirements equivalent to those for much larger agencies. These situations raise questions about how the Census Bureau would apportion funding responsibility fairly among the Federal agencies.

Nevertheless, the Census Bureau believes it is important to pursue this concept and has already begun to discuss this idea with Federal departments and agencies participating in the Policy Committee of the Task Force for the 2000 Census.

QUESTION:

What is the status of an appointment of a new Census Bureau Director?

ANSWER:

It has been a prolonged search for the right candidate, but we believe we will have a nominee shortly.

Questions Submitted by Congressman Skaggs

Patents and Trademarks

QUESTION:

Your Department has been involved recently in an issue that is extremely important to the American computer industry: the somewhat drily-titled issue of reverse engineering -- or decompilation. It's the device programmers use to figure out how software works.

In November, you joined Mickey Kantor in sending a letter to Japan's trade minister about that country's efforts to change the copyright protection that software enjoys. If Japan does so, it could theoretically jeopardize the lead we've always had in the software industry. I understand you said such a step would run counter to the trade framework we set up last July.

You also sent a delegation from the Patent and Trademark Office to Tokyo to testify before the Committee that's reviewing copyright matters.

But there are a number of firms --- American software firms -- who would favor the Japanese change, because allowing decompilation makes their products more marketable.

Can you update us on the status of this dispute?

ANSWER:

Our understanding is that the Japanese committee is now in the process of drafting a report that will set out the divergent views of the committee's members. It is widely perceived -- although we can not be sure that this perception will square with whatever report is ultimately published -- that the report will set out several views and canvass the support for each. The most likely result, according to recent reports, is that the plurality view will support a very narrowly circumscribed decompilation privilege permitting -- as do US case law and the EC Software Directive -- decompilation only to permit already extant software of the decompiler to interoperate with the "target" program that is decompiled. Minority views may include (1) a proposal to permit decompilation that would allow the decompiler to supplant (rather than complement) the target program in the market, and/or (2) a proposal to do nothing (a) because decompilation is unnecessary or (b) because Japanese law already permits decompilation.

We expect that the report will be published in April or May and will closely review its conclusion and recommendations.

Questions Submitted by Congressman Mollohan

U.S. - Israel Science and Technology Commission

QUESTION:

As the appointed chair of the U.S.-Israel Science and Technology Commission, you are no doubt aware of the tremendous benefit this commission will bring to both the U.S. and Israel.

I understand that you had some successful meetings in Jerusalem earlier this year regarding the Science and Technology Commission, and that the development of the Commission is progressing nicely.

What is the status of the U.S.-Israel Science and Technology Commission? What type of funding levels do you expect to request for the Commission? When will you submit a budget for it?

Also, overall, what do you anticipate will come from the U.S. - Israel Science and Technology Commission as far as benefits for the United States?

ANSWER:

The U.S. - Israel Science and Technology Commission had its first meeting in Israel in January and is scheduled to meet again in June. In the interim, it has initiated several working groups to examine opportunities for cooperation for mutual benefit in the areas of 1) information processing/telecommunications/micro-electronics; 2) agriculture/environmental technology/energy; 3) biotechnology/medical devices; and 4) defense conversion. In addition, a working group is examining possible sources of funding and policy impediments to increase cooperation. These working groups will report to the Commission in June with their recommendations.

Also, in the interim, the Commission has been exploring ways to facilitate the creation of joint ventures by providing resources for American businesses interested in finding Israeli partners, including databases of Israeli technology that might be useful for American firms. In addition, the Commission is investigating a trade mission or a reverse trade mission in the area of defense conversion, given the high level of interest of both countries in this area. The Commission will make recommendations in June for future funding levels. A preliminary estimate has been included in the FY 1995 request for the Technology Administration for \$400,000. The Commission is committed to benefiting the high tech sectors of both countries. The U.S. should benefit as its private sector firms identify useful technologies and products from Israeli firms in exporting goods and services

to third-world countries where the Israeli's have some comparative advantage. In a larger sense, the U.S. should benefit, as Israel grows economically and becomes more secure.

Questions Submitted by Congressman Rogers

Coal Exports

QUESTION:

The Department of Commerce's focus in trade appears to be on the Newly Independent States, exports of environmental technology, and the Big Emerging Market program.

While these are valid programs, I have particular concerns about the Department's efforts for coal exports.

From 1992 to 1993, coal exports fell by 27% -- from 102 million short tons to 74 million short tons -- resulting in a loss in value of \$1.1 billion.

Does the Department have a specific plan to assist U.S. coal exports? If so, what is it? If not, does the Department have intentions to develop such a plan?

ANSWER:

Yes, the Department has a multi-faceted plan to assist the U.S. coal industry in expanding its participation in international trade. Coal exports create jobs and make a significant contribution to our balance of trade. The emergence of clean coal technologies and continuing coal research increases the prospect that coal will remain a vital energy source not only in this country, but worldwide. The Department assists the U.S. coal industry through its coal export program.

The foundation of this program is the close working relationship between the Department of Commerce and the U.S. coal industry. To support the industry's marketing efforts, we encourage coal companies to pursue export opportunities and provide them advice and assistance in contacting the appropriate foreign officials involved in coal purchasing.

We provide counseling and disseminate information on a daily basis to potential coal exporters and foreign coal buys. We participate in major coal exporting conferences to promote U.S. coal, and work with industry and state officials to promote the use of foreign sales corporations and export trading companies.

We use every opportunity at bilateral economic consultations to promote U.S. coal as a reliable, economic and secure source of energy. In particular, we use the annual energy consultations with Japan and Korea to stress the importance of coal trade as one means to address the trade balance problems.

Our major competition is Australia and South Africa. The key to U.S. competitiveness in most world markets is the cost of transportation, both inland and ocean freight costs.

U.S. railroads recognize the important role they have in keeping U.S. coal competitive, and for the most part support our program, which is designed to retain traditional markets and capture new ones for U.S. coal exporters.

We monitor the subsidies and protectionist measures provided by foreign governments to maintain their indigenous coal production. Foreign producer subsidies (mainly in the European Community countries) limit opportunities for U.S. coal in Western Europe, its major export market. We coordinate efforts with the United States Trade Representative and the Department of State to have subsidies and coal import barriers phased out. While these Commerce activities are not normally considered as export promotion, a success in this effort could have a tremendous bearing on opening up new markets for U.S. coal.

We have established an interagency Advocacy Center in the Department of Commerce to provide support by senior policy officials for strategic priority projects.

Green GDP

QUESTION:

What is the policy rationale for recalculating out GDP in this way, and how will it enhance our economy?

ANSWER:

The "Green GDP" program is part of an international agreement among the nations of the world regarding how to depict statistically their economies. The agreement, which came out of the Rio de Janeiro "Earth Summit" and was approved by the Bush Administration, called for the development of a "System of Integrated Environmental and Economic Accounts" along the lines suggested by the United Nations handbook on environmental accounting.

"Integrated Environmental-Economic Accounts" (IEEA), the real name of "Green GDP", does not change any other aspect of the National Income Accounts. Gross Domestic Product (GDP) would continue to be presented as it now is each quarter, nor would the official figure of "GDP" change. "IEEA" would simply add a new calculation that parallels the calculation of GDP that enables us to have a better understanding of the economy's long-term growth.

The main objective of the "IEEA" program is to extend the usefulness of the national economic accounts, the family of

statistics that is summarized by GDP. "Green GDP" is a term that summarizes the incorporation of natural resource considerations into the accounting system. This would complement rather than substitute for the existing accounts. It would be calculated retrospectively and annually rather than the contemporaneous quarterly calculation of Gross Domestic Product.

The GDP accounts contain various kinds of detail that tell us about the nature of economic growth, as well as its quantity. For example, the family of national income accounts tells us how much of our capital stock is being depreciated, so that we know whether we are creating new wealth in the economy. It tells us how much we save both in households and firms, so that we know how much resources are available to finance additions to our wealth.

Similarly, the IEAA gives us added perspective on the "sustainability" of economic growth, much as does information regarding the depreciation of our capital stock or our ability to finance the creation of new wealth. Each tells us whether we are capable of maintaining our current level of GDP.

The IEAA recognizes, in a way that the existing system does not, that the economy is dependent on natural and environmental inputs. For example, the IEAA would note whether our additions and extensions of reserves for fossil fuels were capable of sustaining current levels of production. In that sense, it would calculate the "depreciation" of natural resources just as it does plant and equipment.

Further, policies based on the objective indicators found in the IEAA would help avoid falsely representing choices between environmental goals and economic growth and would likely be more even-handed than those measures now available. When fully implemented, the IEAA would aim to depict the value of environmental improvements and the costs of obtaining them. This would move us forward dramatically towards ensuring that economic and environmental sustainability go hand in hand.

QUESTION:

Please define exactly what is "Green GDP." What specifically is being measured, how is it being measured, and what is it that is new that is being measured?

ANSWER:

"Green GDP" is short-hand for Integrated Environmental-Economic Accounting. Accounting of this kind is most explicitly spelled out in the United Nations handbook System of Integrated Environmental and Economic Accounts (SIEEA). BEA's work would be in line with this handbook,

which was agreed to by the Bush Administration at the so-called "Earth Summit", in Rio de Janeiro, in June 1992.

BEA's extension of the existing economic accounts will attempt to capture the interaction between the economy and the environment. It regards the environment, including our stocks of fuels, minerals, timber, and other assets as well as the quality of the environment around us, as a series of "assets" just as are private sector plant and equipment. When plant and equipment are "used up" through depreciation, the GDP family of statistics take this into account, just as would a company that allows a depreciation charge to flow from its balance sheet to its income statement. The IEAA calculations do exactly the same thing. They calculate what is "lost" when we use up our resources or environment, or adds back what we gain when we add resources (by finding new ones) or improving our environment.

By focusing on the economy's use of natural and environmental assets, the IEAA will include the use of cultivated crops, timber, subsoil assets such as oil, coal, and non-fuel minerals, land and the disposal of residuals from production. The integrated accounts will include estimates of the investments (e.g., additions to proved reserves, plantings and natural growth of timber, and cleaner air and water via expenditures for pollution abatement and control equipment) as well as the reduction in the economic value of these assets through their use in production (e.g., depletion).

Like national income accounts, the IEAA will be based on market prices. For example, the resource value of a new ton of coal or barrel of oil would be valued at the prices found in markets, and would track market prices, as suggested by Michael Boskin and other economists. Thus, the integrated accounts would extend the existing system by counting the net contribution of natural resources to the creation of income and jobs, rather than focusing only on the use of labor, capital, and intermediate inputs into production.

QUESTION:

GDP is calculated to tell us whether there is adequate economic activity and employment of resources in the country so that we can judge whether new fiscal or monetary policies is needed. How will "Green GDP" help us measure this more accurately?

ANSWER:

GDP is a tool for macro-economic policy that summarizes the overall size and rate of growth of the U.S. economy. GDP is only one measure within the family of national economic accounts. In addition to the GDP total, the U.S. economic

accounts produced by BEA provide information on national saving and investment, personal income, patterns of consumer spending, international trade, rates of economic growth, and the interdependence between specific industries and regions of the country. These data are used to formulate policies ranging from regional tax analysis and projections to the analysis of the effect of government programs on investment and saving.

Similarly, a single "Green GDP" number would be just the tip of the iceberg. Indeed, after all the additions to and deductions from the stock of natural and environmental assets are tallied-up, the resulting net domestic product may not be very different from the conventional measure. The truly valuable contribution of integrated environmental-economic accounts will be their ability to identify and quantify the interactions between the economy and the environment in many ways, such as by industry, product, user, and region.

QUESTION:

Will resource depletion be counted as a positive or negative cost to GDP? What parameters will you use to determine whether resource depletion is a positive or negative?

ANSWER:

Depletion is a measure of the contribution to production from the use of a natural resource and would be included in GDP. But depletion, like depreciation of plant and equipment, represents the using up of the nation's economic assets and thus depletion would be deducted from GDP to arrive at net domestic product (NDP). Just as accounting for sustainable economic growth requires that the economic ledger include an entry for depreciation to record the using up of plant and equipment, an entry should be made for the using up of natural assets.

As noted above, whether an environmentally-adjusted NDP ends up higher or lower than conventional NDP will depend on the net effect of the economic value of additions to and depletions of the stock of natural and environmental resources.

QUESTION:

Are you attempting to assign a value and monetary cost to such concepts as "environmental quality?" If not, what are you measuring? If so, how specifically will you define "environmental quality," measure "environmental quality" and assign a "value" to "environmental quality"?

Can't environmental quality be defined in a number of ways, depending on your perspective? How then do you objectively define "environmental quality?"

ANSWER:

BEA's plan to address these issues is to build up experience and knowledge by phasing in the long-term program. We will begin Phase I by addressing less complex issues regarding valuing the stock of nonrenewable resources, such as oil, gas, and coal, and the changes in that stock due to depletion and discoveries. The concepts and data for these resources are relatively familiar. In phase II, BEA will work with renewable resources, for which the conceptual problems are more difficult.

Beginning in Phase III, BEA will try to work with environmental resources, such as air and water. It will take several years to do all this, and we expect that research in the United States, in other countries, and in international organizations will make advances and be shared.

When, in Phase III, attention turns to environmental resources, BEA will focus on their economic value. Therefore, in working with environmental quality, BEA will concentrate on the economic impact of reductions, or improvements, in environmental quality. These include, for example, the costs of investments in pollution control, of increased maintenance and depreciation associated with pollution, and of reductions in agricultural productivity associated with pollution and soil erosion. We will rely heavily on the scientific literature and on the experiences that other nations have had implementing these concepts. Although, one of the United Nations extensions for IEEA includes contingent valuation by households of their willingness to pay for improvements in environmental quality. For the foreseeable future, BEA would concentrate only on cost-based estimates of the market impacts of changes in environmental quality.

QUESTION:

Will you integrate the economic impact of employment, sales, etc., in industries reliant on natural resource depletion, such as coal mining, into green GDP? If so, how?

ANSWER:

The existing economic accounts already show the sales and related indicators for U.S. industries, including those reliant on natural resources such as coal mining. Indeed, the most important attribute of economic accounts is their consistent specification of the interdependencies of industries in the economy. "Green" accounting, as an extension of the existing economic accounts, will certainly

maintain that attribute. The GDP accounts will continue to capture the contribution of the coal industry to wages and salaries, profits, and taxes and the role of coal as an input into production in utilities and other industries and as an export. The information can be used to see the impact of coal on industries, products, and regions dependent on it.

QUESTION:

For what purpose is green GDP intended to be used?

ANSWER:

The main purpose of the IEAA is to provide consistent and integrated data on the economic effects of the interaction between the economy and environmental and natural resources by product, by industry, by type of income, by user, and (perhaps, eventually) by region. This detailed accounting of the interactions between the economy and the environment will provide a consistent information base for a wide range of policy and analytical studies.

QUESTION:

Where did the concept of "green GDP" develop -- has this type of measurement ever been done before by anyone in the U.S. -- either in the private or public sector -- and how has it been used?

ANSWER:

Although demonstration studies have been conducted by the United Nations, the World Bank, and some private organizations (notably the World Resources Institute), and some judgmental estimates have been made of "quality-adjusted" U.S. economic welfare, no developed country yet has consistent and integrated environmental-economic accounts along the lines of the United Nations handbook. A number of nations are actively working on such accounts, and sharing their experiences with each other.

BEA has been in regular contact with all of these nations and entities in the course of developing its program, and will continue to consult with them, with the relevant committees of the Congress, and with affected industries as it develops and implements its program.

THURSDAY, MARCH 10, 1994.

**TECHNOLOGY ADMINISTRATION, INCLUDING OFFICE
OF THE UNDER SECRETARY OFFICE OF TECHNOLOGY
POLICY; NATIONAL INSTITUTE OF STANDARD AND
TECHNOLOGY; NATIONAL TECHNICAL INFORMATION
SERVICE**

WITNESSES

**MARY L. GOOD, UNDER SECRETARY FOR TECHNOLOGY
ARATI PRABHAKAR, DIRECTOR, NIST
GRAHAM R. MITCHELL, ASSISTANT SECRETARY FOR TECHNOLOGY
POLICY
DONALD R. JOHNSON, DIRECTOR, NTIS
RAYMOND KAMMER, DEPUTY DIRECTOR, NIST
THOMAS A. GARY, BUDGET OFFICER, NIST
KAREN L. NASON, BUDGET OFFICER, TA
DONALD W. CORRIGAN, DEPUTY DIRECTOR, NTIS
MARK E. BROWN, DIRECTOR, OFFICE OF BUDGET**

Mr. SMITH. Time is important here, and I have to go in a little while, but I want to get started. This afternoon we have our review of the Department of Commerce fiscal year 1995 budget request for the Technology Administration (TA), National Institute of Standards and Technology (NIST), and National Technical Information Service (NTIS).

The request for TA's three organizational units is: \$11.262 million for the Office of the Under Secretary for Technology, which is an increase of \$5.562 million over the amount appropriated for fiscal year 1994; \$935 million for the National Institute of Standards and Technology, which is an increase of \$414.8 million over last year's appropriation; and a one time increase of \$18 million for the National Technical Information Service.

We will hear testimony regarding the budget requests for TA, NIST, and NTIS as we continue this afternoon.

We shall insert the justifications submitted in support of the request into the record at this time.

[The justification follows:]

Department of Commerce
Technology Administration
Budget Estimate, Fiscal Year 1995
President's Submission

GENERAL STATEMENT

Goals of the Program

President Clinton set forth an ambitious technology strategy in his February 1993 statement, *Technology for America's Economic Growth, A New Direction to Build Economic Strength*. In response, Commerce developed an implementation plan, which represents an integrated, comprehensive approach for fulfilling the Department's leadership role. This plan is outlined in the document entitled, *Commerce ACTS: Advanced Civilian Technology Strategy*. The Technology Administration's programs constitute the core of *Commerce ACTS*.

Statement of Objectives

Commerce ACTS outlines the role of the technology rich agencies in the Department in the areas of technology leadership; technology development, particularly in concert with the private sector; facilitation of the deployment and commercialization of new technologies; and providing a technological infrastructure for 21st century global competition. The Technology Administration, with its programs at the National Institute of Standards and Technology (NIST), technology information distribution at the National Technical Information Service (NTIS), and its technology policy capability in the Office of Technology Policy (OTP), is destined to play a major role in each of these core areas. Outlined below are the highlights of the Technology Administration's programs, plans, and objectives for FY 1995.

- o **Leadership in both government and the private sector:** As chair of the Committee on Civilian Industrial Technology (CIT) of the President's National Science and Technology Council, the Under Secretary for Technology will be a voice for Commerce's business and industry customers in government-wide technology efforts. In this role, the Under Secretary will be responsible for coordinating several interagency initiatives on technology and manufacturing, including the interagency team participating in an unprecedented partnership with the Big Three auto makers for the development of a fuel efficient, pollution controlled, automotive fleet. The CIT will act as the coordination mechanism for the Federal R&D efforts to support the U.S. industrial base, including the leading edge Advanced Technology Program and Manufacturing Extension Partnership at NIST, the civilian utility of the government laboratories, and the implementation of new programs in strategic technologies for the 21st century.

Other leadership activities include the Malcolm Baldrige National Quality Award administered by NIST and the National Medal of Technology administered by OTP. The Baldrige Award program will be expanded to include the health care and educational communities in FY 1995. The Baldrige Award program has provided a catalyst for the quality movement in the United States and is credited with a significant role in the return of many U.S. manufacturers to world class competitors. The National Medal of Technology program will be used as the platform for showcasing "success stories" of U.S. firms and individuals who have made major contributions to sustained economic growth through effective technology exploitation.

Development of Advanced Technologies: The showcase program for government/private sector partnership in the development of high-risk, high-potential technologies is the Advanced Technology Program (ATP) at NIST. This unique activity funds private sector technology development through a rigorously competitive, cost-shared program for companies of all sizes as well as strategic business alliances. Project selection is based on commercial potential as well as technical merit. FY 1995 will see a major increase in this program, and the selection process will focus on a few strategic technology sectors as well as one "open" competition. Plans are in place for the scale-up of the program, and metrics for a follow-up evaluation have been submitted for comment to a broad spectrum of private sector customers.

The NIST laboratory programs continue to be a focus of the agency's private sector interactions as well as the site of advanced technology development, particularly in manufacturing and metrology. The budget increase for FY 1995 will allow the expansion of several of these industry focused programs in standards and metrics. Particular emphasis will be placed on "process-oriented" technology development to support industry-wide improvement in manufacturing processes.

Commercialization and Deployment: NIST, OTP, and NTIS will all play a key role in the commercialization and deployment of new technologies. President Clinton's vision of establishing "over 100 manufacturing extension centers nationwide by 1997 to assist manufacturers to modernize their production capability" will be realized through NIST's Manufacturing Extension Partnership program. When fully implemented, the Partnership will be a cost-shared, integrated, nationwide network of organizations to support the 370,000 small and medium-sized American manufacturers in increasing their competitiveness by introducing them to the latest off-the-shelf manufacturing technologies, techniques, and business practices. OTP is taking the lead through the Interagency Committee on Federal Technology Transfer in reviewing and harmonizing Federal agency regulations implementing the Stevenson-Wydler Act. Stevenson-Wydler encourages private companies to engage in cooperative research and development with Federal laboratories. A coherent, multi-faceted approach to the transfer of science and technology from foreign countries into the United States is being developed through the Japan Technology Program, the U.S. Japan Manufacturing Technology Fellowship Program, and the Intelligent Manufacturing Systems Initiative. NTIS is also a key component of the technology deployment strategy. It collects and disseminates all Federally-sponsored and foreign-collected scientific, technical, and business information. NTIS's primary objective is to increase the flow of technical information into the marketplace. FY 1995 will see the transformation of NTIS into the Nation's principal vehicle for "on-line" delivery of technical information through the expansion of FedWorld On-line and enhancement of delivery systems for electronic information. OTP will provide the industry with world-wide benchmarks of industrial and technological strengths by industry sectors. A critical review of the state of the U.S. manufacturing enterprise will allow policy makers to choose high impact areas for the deployment of limited resources.

o **Building a 21st century technological infrastructure:** As part of the HPCC/NII research strategy, NIST will accelerate and integrate its research in computer performance measurement, communications protocols, advanced software, and the development of security technologies required for the national information infrastructure, and it will apply and test these technologies in a manufacturing environment. NIST's laboratory programs represent the technology infrastructure necessary to help U.S. companies win on the world economic playing field. The agency works with industry in areas ranging from manufacturing, materials, electronics, and information technology to physics, chemistry and building and fire research. The generic technologies, measurement methods, standards, and processing improvements represent essential "roads and bridges" to world-class industrial competitiveness. U.S. companies need these technologies and services to create new products, improve the quality of existing products, and upgrade manufacturing and service efficiency.

Summary of Proposed Budget Increases

To fulfill its key role in the President's strategy, the Clinton Administration is requesting program increases of 187 positions and \$438 million for FY 1995 to support and expand Technology Administration programs in the immediate Office of the Under Secretary for Technology, the Office of Technology Policy, the National Institute of Standards and Technology, and to support new activities at the National Technical Information Service. These programs complement each other and, taken as a whole, are designed to enhance U.S. industry's ability to realize the full commercial benefits of new and constantly evolving advanced technologies.

Adjustments to base and built-in changes in the US/OTP appropriation result in an increase of 5 positions and \$110,000. All three NIST appropriations are requesting \$10,886,000 for adjustments to base and built-in changes. Increased costs of personnel benefits, within grades and the FY 1995 pay raise are among the items included in these estimates.

US/OTP appropriation program changes total 15 positions and \$5,562,000 over the FY 1994 appropriation. These funds will strengthen the analytical capabilities of the Office of the Under Secretary and the OTP, enabling TA to fulfill the Administration's goal of making the public sector a more effective partner with industry in designing and implementing programs and strategies for thriving in a highly competitive global community. Program increases are requested for three important initiatives: Manufacturing Competitiveness, Technology Competitiveness, and Access to Foreign Science and Technology. Program specifics are found in the US/OTP budget submission.

NIST is requesting increases in all three of its appropriations:

Industrial Technology Services appropriation program changes total 34 positions and \$285,465,000 over the FY 1994 appropriation. The ATP, MEP, and Quality programs support a variety of mechanisms for extending technology to American industry and fostering the development of broad-based, high-risk technologies by industry. Both the Advanced Technology Program and Manufacturing Extension Partnership must grow to a level at which each can be a powerful national program that makes a large difference to our industries, rather than being just effective programs that have helped a limited number of companies. Details of each program increase are found in the NIST budget submission.

Scientific and Technical Research and Services appropriation program changes total 173 positions and \$88,004,000 over the FY 1994 appropriation level for laboratory research and development. NIST programs will build on existing strengths to help industry develop crucial infrastructure technologies. In cooperation with industry, new techniques, methods, standards, and measurements will be developed. These investment increases are part of the plan to double the funding for industry oriented R&D work carried out by NIST labs over the next four years. Cost benefit analysis of NIST's laboratory programs done by independent contractors document a social rate of return that is approximately double that of private sector innovations. NIST work in the six technology areas evaluated thus far ranges from 63 percent to 423 percent. The FY 1995 increment will substantially increase the research and development effort in technologies key to U.S. industry's success. Program increases in Advanced Manufacturing, Biotechnology, Environmental Technologies, Advanced Materials and Processing, National Information Infrastructure, International Trade, Standardization and Measurement Services, and Math and Science Postdoctoral Fellowships are explained in detail in the NIST budget submission.

Construction of Research Facilities reflects a program change of \$32,922,000 to advance the NIST facilities modernization program. At a total cost of \$540,000,000 NIST plans to construct two new Advanced Technology Laboratories, as well as renovate some existing laboratories. The ATLS will provide state-of-the-art laboratory space which will provide NIST the ability to support development of the most advanced U.S. products. The renovations will improve efficiency of existing facilities which provide the vast majority of NIST laboratory space.

NTIS is requesting direct appropriations to accelerate implementation of the American Technology Preeminence Act (ATPA) within the Department of Commerce.

Information Clearinghouse appropriation program changes totaling \$18,000,000 represent three one-time initiatives; Facilitating Public Access Through Depository Libraries, Assisting Agencies in Complying with ATPA, and Improving NTIS' Information Management and Dissemination Capabilities will greatly increase the number of Federal information products centrally available to business, industry, government, and the public. Specifics on each initiative are found in the NTIS budget submission.

Summary of Performance and Resources

Performance: Technology Administration programs will have a significant impact on sustained economic growth, creation of new high-wage, high-quality jobs, and a rising standard of living for all Americans. The following considerations shaped the development of the Technology Administration budget to ensure the above effects.

Programs must complement each other and cannot focus on technology alone. The President's technology strategy recognizes that "The success of U.S. businesses depends on their ability to compete both in the development of innovative products and production process and in their ability to bring new products to the market quickly and efficiently." However, while American firms still excel at making breakthroughs, foreign firms are often better at turning technology into new products and processes both quickly and cheaply. The President's strategy states that:

"In addition to support for the development and adoption of new technologies, programs are needed to ensure that all American businesses have easy access to existing technology and best practices."

"New manufacturing technologies and approaches are available that can lead to dramatic improvements in product quality, cost, and time-to-market. But relatively few U.S. businesses have taken advantage of these new technologies and best practice. The problem is particularly acute among the 350,000 small and medium-sized manufacturers, many of whom are still using 1950's technology."

Accordingly, the programs funded by this request strive to achieve balance between those aimed at stimulating the development of new technology (Advanced Technology Program) and complementary programs for making more effective use of manufacturing technology (Manufacturing Extension Partnership and Manufacturing Technology Fellowship Program). Consistent with this approach, OTP has refocused its various programs and activities around the twin pillars of manufacturing and technology competitiveness and greater access to foreign science and technology.

Dramatic changes have occurred in the way companies manage their research and technology development programs. Before 1970, U.S. firms were for the most part technologically self-sufficient. Typically, companies conducted their research independently. The Federal government supported basic science and mission-oriented R&D, which were assumed to create commercial "spin-off" products and services.

The next twenty years saw the globalization of technology and dramatic acceleration in the rate of technological change. Today, a single firm can rarely dominate any technology and, as a result, needs more complete and comprehensive access to global sources. Foreign competition has pressured U.S. firms to shorten time-to-market by better integrating operations and more closely linking R&D to business goals. Increasingly, firms rely on cooperative models, such as R&D consortia, to mitigate the rising cost and risk of technology development. Competitiveness today does not result just from major breakthroughs in the laboratory; more often, the competitive edge comes from rapid, continuous improvements of products and processes, flowing in a loop from customers to factory floor and back again.

The President's technology strategy calls for cost-shared R&D partnerships between government and industry to accelerate the development of technologies critical for long-term economic growth but not receiving adequate support from private firms either because the returns are too distant or because the level of funding required is too great for individual firms to bear. Accordingly, this request provides strong support for programs such as the Advanced Technology Program, which is a cost-shared partnership program that involves high-risk technologies. It also contains a strong information component to enable U.S. firms to tap into important reservoirs of technological information to which they might not otherwise have access, in the expectation that such information can be of value in developing corporate strategies. The Japanese Technical Literature Program offers access to Japanese technical literature, and the NIST laboratory research programs facilitate access to Federally-developed scientific, technical, and engineering information.

The budget should not support activities that the private sector should be expected to undertake on its own. This budget request assumes that, while the commercialization of technology is and will remain a private sector responsibility, the government must broaden and extend its traditional role in providing the climate and infrastructure that fosters private sector economic growth.

Resources: The following is a comparison of the FY 1994 appropriated level with the FY 1995 budget request and related data on employment.

(Dollar amounts in thousands)

	1994 Appropriation		1995 Estimate		Increase or (Decrease) Perm. Pos., Amount	Perm. Emp. - 12/31/94
	Perm. Pos.	Amount	Perm. Pos.	Amount		
US/OTP	43	5,700	63	11,262	20	36
NIST						
ITS	209	232,524	240	518,960	31	127
STRS	1,864	226,000	2,000	316,040	136	1,615
CRF	5	61,686	10	100,000	5	4
Subtotal	2,078	520,210	2,250	935,000	172	1,746
NTIS	111	111	111	18,000	11	111
TOTAL	2,121	525,910	2,313	964,262	192	1,782

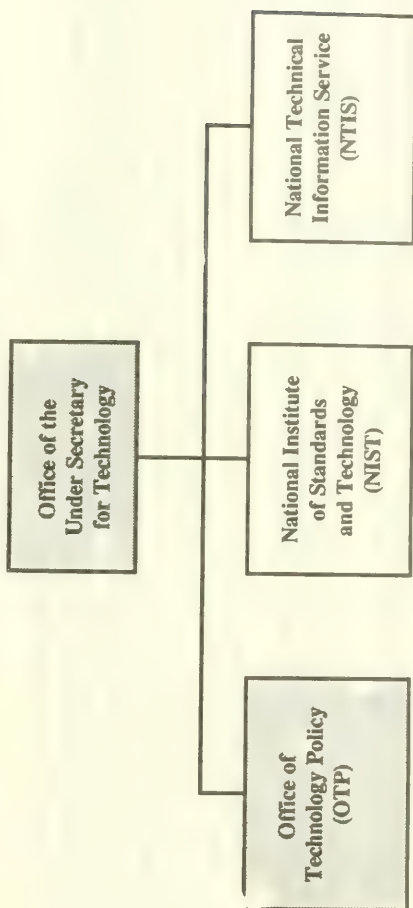
Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy

BUDGET ESTIMATE, FISCAL YEAR 1995
PRESIDENT'S SUBMISSION

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Technology Administration



The salaries and expenses appropriation reflects funding for the Office of the Under Secretary and the Office of Technology Policy.

DEPARTMENT OF COMMERCE
TECHNOLOGY ADMINISTRATION
Office of the Under Secretary/Office of Technology Policy
Budget Estimates, Fiscal Year 1995
President's Submission

GENERAL STATEMENT

"Technology for Economic Growth: President's Progress Report" summarizes some of the major initiatives the President has taken to foster America's technological leadership and describes the Administration's plans for the future. The document states that:

"As the pace of technological progress accelerates and other nations increase their mastery of technology development and application, the public and private sectors must confront together the challenge of devising and carrying out strategies that foster innovation and enable U.S. industry to realize the commercial benefits of new technology."

The FY 1995 request for Technology Administration's Office of the Under Secretary and Office of Technology Policy (US/OTP) reflects the leadership role these organizations must play in implementing the President's technology strategy. In fulfilling that leadership role, the Under Secretary for Technology will chair the high-level coordinating committee for the Partnership for a New Generation of Vehicles and direct the development of a R&D strategic plan to develop technologies for a new generation of vehicles up to three times more fuel efficient than today's cars. In addition, the Under Secretary for Technology will chair the Civilian Industrial Technology Committee of the National Science and Technology Council (NSTC). The Office of Technology Policy (OTP) will support the President's technology strategy through activities such as: developing industry benchmarks and roadmaps, improving access to foreign science and technology, showcasing technology innovation successes through the National Medal of Technology, beginning an annual strategic assessment of the health of the U.S. manufacturing base, and continuation of the innovative program placing U.S. engineers in Japanese companies in the Manufacturing Technology Fellowship Program.

Goals of the Program

The short term goals are to develop manufacturing and technology strategies that are followed by government and help private firms develop and profit from innovation. The long term goal is to promote sustained economic growth by increasing the effectiveness of the manufacturing base and the competitiveness of the nation's companies.

Statement of Objectives

These goals will be achieved by pursuing an integrated strategy which through partnership between industry and government will:

- o Create and develop new technologies with important commercial potential;
- o Strengthen our country's ability to deploy and commercialize such new technologies;
- o Build and extend the nation's technological infrastructure; and
- o Provide leadership in both government and industry initiatives to improve the competitiveness of U.S. industries.

US/OTP will carry out these objectives through three programmatic areas: Manufacturing Competitiveness, Technology Competitiveness and International Policy.

Summary of Proposed Budget Increases

US/OTP requests 15 permanent positions and \$5.6 million for three initiatives:

- o In the area of Manufacturing Competitiveness an increase of 5 permanent positions and \$1.7 million is requested in support of programs aimed at improving the productivity of the manufacturing sector, including development of methodology and implementation of an ongoing assessment of the health of the manufacturing base and development of related benchmarking analyses.
- o In the area of Technology Competitiveness an increase of 5 permanent positions and \$1.9 million is requested in support of programs aimed at promoting technology development and deployment, including development of industry benchmarking and roadmaps.
- o In support of greater Access to Foreign Science and Technology an increase of 5 permanent positions and \$2.0 million is requested to help facilitate U.S. industry access to and use of foreign scientific and technical information.

Summary of Performance and Resources

Increased funding will allow US/OTP to begin or continue expansion of programs critical to implementing the President's Civilian Technology strategy. Increased funding will allow US/OTP to:

- o develop methodology for and conduct the first series of strategic assessments of the U.S. manufacturing base;
- o develop methodology for and perform competitive benchmarks, followed by roadmaps, for certain industrial sectors;
- o bring PNGV to full implementation in all planning and technology evaluation areas;
- o initiate the President's PNGV "award" program;
- o achieve full implementation for the NSTC-CIT committee program planning functions;
- o support international Science and Technology agreements including second year funding for the U.S.-Israel Science and Technology Commission; and,
- o increase U.S. industry access to foreign science and technology.

The following is a comparison of the FY 1994 appropriation with the FY 1995 President's request.

(dollar amounts in thousands)

	FY 1994		Enacted	FY 1995		President's Budget	
	Permanent Positions		Appropriation	Permanent Positions		Appropriation	
US/OTP	43		\$5,700	63		\$11,262	

Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

Page No.		Positions	Budget Authority	FTE	Direct Obligations
US/OTP - 11	Appropriation Available, 1994	43	\$5,700	43	\$5,700
	plus: 1995 Adjustments to base	5	110	5	110
US/OTP - 37	1995 Base	48	5,810	48	5,810
	less: Administrative savings	...	(15)	...	(15)
US/OTP - 38	less: Personnel savings	...	(73)	...	(73)
	plus: 1995 Program changes	15	5,540	12	5,540
	1995 Estimate	63	11,262	60	11,262

	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease) Over 1995 Base
	Per-sonnel	Per-sonnel	Per-sonnel	Per-sonnel	Per-sonnel
	Amount	Amount	Amount	Amount	Amount
US/OTP - 17	41	43	48	63	15
Under Secretary for Technology/	\$4,636	\$5,700	\$5,810	\$11,262	\$5,452
Office of Technology Policy	33	43	48	60	12
	4,329	5,700	5,810	11,262	5,452
Direct obligations	41	43	48	63	15
	4,636	5,700	5,810	11,262	5,452
	33	43	48	60	12
	4,329	5,700	5,810	11,262	5,452

Adjustments to obligations:					
Recoveries	0	0	0	0	0
Unobligated balance, start of year	0	0	0	0	0
Unobligated balance, transferred	0	0	0	0	0
Unobligated balance, end of year	0	0	0	0	0
Unobligated balance, expiring	307	0	0	0	0
Financing from transfers:					
1 from other accounts	(186)	0	0	0	0
Transfers to other accounts	0	0	0	0	0
Appropriation	4,450	5,700	5,810	11,262	5,452

Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
SUMMARY OF FINANCING
(Dollar amounts in thousands)

	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease) Over 1995 Base
Total Obligations	\$5,067	\$6,259	\$6,369	\$11,821	\$5,452
Offsetting collections from:					
Federal funds	(738)	(559)	(559)	(559)	0
Trust funds	0	0	0	0	0
Non-Federal sources	0	0	0	0	0
Recoveries	0	0	0	0	0
Unobligated balance, start of year	0	0	0	0	0
Unobligated balance transferred	0	0	0	0	0
Unobligated balance, end of year	0	0	0	0	0
Unobligated balance expiring	307	0	0	0	0
Budget Authority	4,636	5,700	5,810	11,262	5,452
Financing:					
Transfer from other accounts (-)	(186)	0	0	0	0
Transfer to other accounts (+)	0	0	0	0	0
Appropriation	4,450	5,700	5,810	11,262	5,452

US/OTP - 9

Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
Salaries and Expenses
ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

	FTE	Amount
Other Changes:		
1995 Pay raise	0	\$40
Locality Pay	0	94
Changes in compensable days	0	(11)
Within-grade step increases	0	16
Civil Service Retirement System (CSRS)	0	13
Federal Employees' Retirement System (FERS)	0	(23)
Thrift Savings Plan (TSP)	0	(4)
Federal Insurance Contributions Act (FICA) - OASDI	0	(1)
Health Insurance Premium	0	17
Stay-In School Adjustment	5	0
Travel: Per Diem	0	3
Rental payments to GSA	0	(51)
Rental payments to others	0	(1)
Printing and reproduction	0	2
Other services:		
Working Capital Fund	0	12
Supplies and materials	0	2
Equipment	0	2
Subtotal, other changes	5	110
Total, adjustments to base	5	110

Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
Salaries and Expenses
ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

	ETE	Amount
1995 pay increase and related costs	0	\$40

The FY 1994 President's budget assumes a pay raise of 1.6 percent to be effective January 1, 1994.

Total cost in FY 1995 of pay increase	36,000
Less amount absorbed in FY 1995	<u>0</u>
Amount requested for FY 1995 pay increase	36,000
Payment to Working Capital Fund	<u>4,000</u>
Total, adjustment for FY 1995 pay increase	40,000

Locality pay	0	94
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A locality pay raise was implemented in January 1994.

Total cost in FY 1995 of 1994 locality pay raise	79,000
Less amount funded in 1994	<u>0</u>
Less amount absorbed	<u>0</u>
Amount requested in 1995 to provide full-year cost of 1994 locality pay raise	79,000
Payment to Working Capital Fund	15,000
Total, adjustment for FY 1994 locality pay raise	94,000

Less one compensable day	0	(11)
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The cost of one less compensable day in FY 1995 compared to 1994 is calculated by dividing the FY 1994 estimated personnel compensation (\$2,615,000) and benefits (382,000) by 261 compensable days.

Within-grade step increases 0 16

An increase of \$16,000 is required to cover the cost of within-grade step increases. This estimate reflects the net cost of step increases, including merit pay increases, which will be earned in FY 1995.

Estimated number of within-grade step increases	13
Step increases not earned due to turnover ($11.4\% \times 13$)	1
Average step above step 1 per separation	3
Average cost per within-grade step increase	1,385
Gross cost of scheduled step increases ($1,385 \times 13$)	18,005
Less savings due to separations ($1,385 \times 1 \times 3$)	(4,155)
Subtotal, personnel compensation	13,850
Benefits	2,187
Total adjustment-to-base	16,037

Civil Service Retirement System (CSRS) 0 13

The estimated percentage of payroll for employees covered by CSRS will rise from 45.9 percent in FY 1994 to 52.8 percent in FY 1995. Contribution rates will remain the same.

Payroll subject to retirement (\$2,615,000)	
Cost of CSRS contributions in FY 1995 ($\$2,615,000 \times .528 \times .07$)	96,650
Cost of CSRS contributions in FY 1994 ($\$2,615,000 \times .459 \times .07$)	84,020
Total adjustment-to-base	12,630

Federal Employees Retirement System (FERS) 0 (23)

The estimated percentage of payroll for employees covered by FERS will drop from 54.1 percent in FY 1994 to 47.2 percent in FY 1995.

Payroll subject to retirement (\$2,615,000)	
Basic benefit cost in FY 1995 ($\$2,615,000 \times .472 \times .1290$)	159,222
Basic benefit cost in FY 1994 ($\$2,615,000 \times .541 \times .1290$)	182,498
Total adjustment-to-base	(23,276)

Thrift Savings Plan

(4)

The cost of agency contributions to the Thrift Savings Plan will also drop as FERS participation decreases. The contribution rate is expected to remain 2 percent.

Thrift plan cost in FY 1995 (\$2,615,000 x .472 x .02)	24,686
Thrift plan cost in FY 1994 (\$2,615,000 x .541 x .02)	28,294
Total adjustment-to-base	(3,608)

Federal Insurance Contributions Act (FICA)

(1)

As the percentage of payroll covered by FERS drops, the cost of OASDI contributions will decrease. In addition, the maximum salary subject to OASDI tax rises to \$61,050 in FY 1995 from \$60,150 in FY 1994. The OASDI tax rate will remain 6.2 percent in FY 1995. The contribution rate for regular employees will remain the same.

Regular:

1995 FERS (\$2,615,000 x .472 x .891 x .062)	68,184
1995 FERS (\$2,615,000 x .541 x .786 x .062)	68,942
Total OASDI decrease (FY 1994-1995)	(758)

Health Insurance Premium

17

Effective January 1993, the Technology Administration contribution to the Federal employees' health insurance premiums increased by 13.4%. Applied against the FY 1994 estimate of \$130,000, the additional amount required is \$17,420.

Stay - In - School Adjustment

0

An adjustment from OPM was received to reflect bureau stay-in-school FTE allocations.

Per diem increase

3

Effective January 1993, the General Services Administration raised per diem rates. This increase results in a 5.3 percent increase to Technology Administration. This percentage was applied to the FY 1994 estimate of \$50,000 to arrive at an increase of \$2,650.

Rental payments to GSA	0	(51)
A decrease of \$51,000 is required to reflect the latest FY 1995 GSA rent estimate from the Office of Federal Property Programs for rent at the Hoover Building.		
Rental payments to others	0	(1)
A decrease of \$1,000 is required to reflect the latest FY 1995 parking estimate from the Office of Federal Property Programs for parking costs at the Hoover Building for TA personnel.		
Printing	0	2
GPO has provided an estimated rate increase of 3.0 percent. This percentage was applied to the FY 1994 estimate of \$62,000 to arrive at an increase of \$1,860.		
Other Services	0	12
Working Capital Fund (\$12,000) - An increase of \$12,000 is required to fund cost increases in the Departmental Working Capital Fund to maintain their current level of operations.		
Supplies and Materials	0	2
Based on the GDP deflator of 2.8 percent, the cost of supplies and materials is expected to increase by \$2,072 from the FY 1994 estimate of \$74,000.		
Equipment	0	2
Based on the GDP deflator of 2.8 percent, the cost of equipment is expected to increase by \$1,708 from the FY 1994 estimate of \$61,000.		

Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Under Secretary for Technology
Subactivity: Under Secretary for Technology

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base	
	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount
Under Secretary for Technology/	41	\$4,636	43	\$5,700	48	\$5,810	63	\$11,262	15	\$5,452
Office of Technology Policy	33	4,329	43	5,700	48	5,810	60	11,262	12	5,452

Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Under Secretary for Technology
Subactivity: Under Secretary for Technology

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base	
	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount
Under Secretary for Technology/	2	\$738	0	\$559	0	\$559	0	\$559	0	\$0
Office of Technology Policy	1		0		0		0		0	

Department of Commerce
Technology Administration
Salaries and Expenses

JUSTIFICATION OF PROGRAM AND PERFORMANCE OFFICE OF THE UNDER SECRETARY/OFFICE OF TECHNOLOGY POLICY

Goal Statement

TA will serve as the premier technology Agency working with industry to improve U.S. industrial competitiveness and to exercise leadership as U.S. industry's advocate, both within the Department of Commerce and government-wide. It will discharge this role by advocating policies to maximize the contribution of technology to economic growth; by carrying out technology development, diffusion and commercialization programs with U.S. industry; and by disseminating technological information. The short term goals are to develop manufacturing and technology strategies that are followed by government and help private firms develop and profit from innovation. The long term goal is to promote sustained economic growth by increasing the effectiveness of the manufacturing base and the competitiveness of the nation's companies.

Base Program

TA develops and advocates policies and programs that enhance the strength of the Nation's manufacturing and technology sectors, promote technology development and deployment and provide U.S. industry with access to world-class scientific and technical information. Its programs are designed to promote private sector cooperation, support private sector productivity improvements, foster better quality in U.S. manufacturing, and improve the financing, development, deployment and commercialization of technology.

The Office of the Under Secretary provides leadership and direction for TA's three components: OTP, NIST and NTIS. The Under Secretary for Technology has been tasked by the President to chair the high-level coordinating committee overseeing the Partnership for a New Generation of Vehicles (PNGV) or "Clean Car" initiative. In addition, the Under Secretary will chair the Civilian Industrial Technology Committee (CIT) within the President's National Science and Technology Council (NSTC). The Under Secretary coordinated the development and will lead implementation of Commerce's Advanced Civilian Technology Strategy (ACTS), an integrated, comprehensive strategy for promoting sustained economic growth and creating jobs by supporting U.S. industry's

technological competitiveness. The Commerce Science and Technology Fellowship Program (ComSci) will select and place approximately 15 fellows in technology related positions in agencies throughout government to encourage the development of broad technology policy expertise within the Federal government.

Within US/OTP work will support three programmatic areas: Manufacturing Competitiveness, Technology Competitiveness and International Policy.

Within Manufacturing Competitiveness base resources, US/OTP will continue its programs designed to improve the competitiveness of the U.S. manufacturing base. US/OTP will support the Under Secretary's coordination of PNGV and CIT activities related to manufacturing. US/OTP will encourage the deployment of best business and manufacturing practices, as well as workforce quality. Finally, industry outreach activities will lay groundwork for FY 1995 initiatives in manufacturing competitiveness, including FY 1995 initiatives in benchmarking and roadmaps.

Within the Technology Competitiveness base resources, US/OTP industry outreach activities lay the groundwork and enlist industry's support for the FY 1995 initiatives in benchmarking and roadmaps. The National Medal of Technology will showcase technology innovation successes through the annual Presidential award recognizing individuals, teams, or companies whose inventions have dramatically contributed to an improved standard of living, job creation and economic growth. In FY 1995 US/OTP will publish its Biennial Report on the effectiveness of Federal Technology Transfer Programs and lead interagency considerations of cross-cutting issues, such as those relating to harmonization of the CRADA process and implementation of the GATT provisions relating to government research programs. Finally, staff in the technology competitiveness area will support the Under Secretary's coordination of CIT activities as they relate to specific cross-cutting issues relating to a variety of civilian technologies.

Within the International Policy base resources, US/OTP will continue its program allowing access to foreign scientific and technical information, including its Japan Technology Program. Activities will include the publication of four Technical Literature Bulletins, publication of studies, information collection and business counseling. US/OTP will continue its facilitation role in the Intelligent Manufacturing Systems (IMS) project, an international R&D collaborative project in advanced manufacturing. US/OTP serves as the U.S. secretariat for IMS. OTP also manages the U.S.-Japan Manufacturing Technology Fellowship (MTF) Program. The MTF is an innovative program to place U.S. manufacturing engineers in Japanese manufacturing firms for up to one year, thereby helping U.S. engineers learn Japanese manufacturing practices firsthand. In FY 1995, the second round of fellows will be sent to Japan. Building upon the expertise on Japanese science and technology, US/OTP plays an active role in the U.S.-Japan "Framework" negotiations. US/OTP will also support the U.S.-Israel Science and Technology Commission, which was announced by President Clinton and Prime Minister Rabin in March of 1993. The MOU with Israel was signed in January 1994 and US/OTP serves as the U.S. secretariat. US/OTP will continue to participate in the Organization of Economic Cooperation and Development (OECD)

Committee on S&T policy, including planning and participation in the Ministerial meeting. US/OTP will continue to represent the U.S. position on the Investment and Industrial Science and Technology working group of the Asian Pacific Economic Cooperation (APEC). Finally, US/OTP will continue monitoring and negotiating Intellectual Property Rights (IPR) in the U.S. government's international S&T agreements. OTP provides substantial technical support and expertise to the U.S. in negotiations on IPR.

The FY 1995 base program operating objectives include the following:

- o Select and place second round of MTF fellows;
- o Select and place approximately 15 Com Sci fellows;
- o Publish 4 Japanese Technical Literature Bulletins and 2 studies;
- o Serve as U.S. Secretariat for IMS;
- o Continue with second year implementation of the U.S.-Israel Commission;
- o Continue with second year implementation of NSTC/CIT interagency industry programs;
- o Continue to work through the interagency process to streamline Federal Technology Management Systems, including CRADA harmonization and reviewing Bayh-Dole regulations;
- o Complete PNGV broad based technology development and assessment; and,
- o Begin PNGV focus on "concept car" three times fuel efficiency systems.

Quantitative performance measures for the base program (including reimbursable) include:

	FY 1994	FY 1995	FY 1996
o PNGV Studies Completed	1	2	2
o CIT/NSTC Studies Completed	4	3	3
o Reports Completed Under Japanese Technical Literature Act	6	6	6
o Science and Technology Agreements Supported	20	20	20
o Engineers placed under MTF Program	30	40	40
o Medals of Technology Awarded	6-10	6-10	6-10
o Com Sci Fellows Selected/Placed	22	15	15
o Industry Outreach Workshops	3	3	3
o PNGV Industry Outreach Workshops	2	2	2
o CIT Industry Outreach Workshops	4	4	4
o PNGV "Public Track" submissions evaluated	30	20	20

Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
Salaries and Expenses
INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Base		1995 Estimate		Increase/Decrease	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
Under Secretary for Technology/ Office of Technology Policy	48	\$5,810	63	\$11,262	15	\$5,452
Manufacturing Competitiveness			5	\$1,692	5	\$1,692

Manufacturing Competitiveness (+ 5 permanent positions, BA +\$1,692,000 Direct Obligations + \$1,692,000) This initiative focuses on policies and programs designed to improve the performance of the U.S. manufacturing sector, which is a key element of the President's technology strategy. This request will enable US/OTP to begin a strategic assessment of the U.S. manufacturing base and related benchmarking analyses and support second year costs for PNGV.

Problem Magnitude and Scope:

Manufacturing plays a critical role in the U.S. economy. Manufacturers employ nearly one-sixth of all Americans who work in the private, non-farm economy, and manufacturing workers earn wages of up to 30% higher than those of the other U.S. workers.¹ In addition, for every 100 new manufacturing jobs created, there are also 64 non-manufacturing jobs created.² Building a stronger manufacturing base is critical to our nation's long-term economic growth, the creation of high wage, high-value jobs, and the maintenance of a high standard of living for American citizens. However, the President's technology strategy highlights the slow rate of industry's adoption of new technologies and approaches that can lead to dramatic improvements in quality, cost and time-to-market.

¹ Forging the Future: Policy for American Manufacturing. Report of the Manufacturing Subcouncil to the Competitiveness Policy Council, March 1993

² Economic Policy Division, U.S. Chamber of Commerce

Why US/OTP:

The Commerce Department has been assigned a leadership role in the President's technology strategy. The Under Secretary, who is chairing the NSTC Civilian Industrial Technology Committee (CIT) needs accurate information on the comparative strength of the U.S. manufacturing base in order to lead the CIT towards informed decisions on the best use of government resources. The strategic assessment of the manufacturing base will provide this critical information. In addition, in FY 1994 the Under Secretary for Technology was tasked by the President to lead the federal government's efforts in the PNGV initiative.

Description of Proposed Program:

As stated in Technology for America's Economic Growth: The President's Progress Report, published in November 1993, "TA will begin an annual strategic assessment of the health of the U.S. manufacturing base. This assessment will characterize the comparative strength of U.S. manufacturing, measuring the extent to which U.S. industry has adopted modern manufacturing technologies and modern workforce and organizational practices. An understanding of the strengths and weaknesses of U.S. manufacturing will help to direct government resources and guide the development of legal and regulatory policies." Despite the critical role of manufacturing in the U.S. economy, no agency of the federal government currently provides U.S. industry with information regarding the comparative strength of the U.S. manufacturing base or the extent to which U.S. industry has adopted modern manufacturing practices.

As described in the President's November 1993 Progress Report, US/OTP will, in cooperation with industry, begin competitive benchmarks and strategic roadmaps related to certain manufacturing industries. To begin this process US/OTP will carry out quantitative assessments of manufacturing performance relative to international competition. Industry will set the agenda for these much-needed benchmarking evaluations. Next, US/OTP will work with specific industries to develop strategic roadmaps to set goals for manufacturing. These roadmaps will describe barriers to meeting those goals and define actions industry and government should take to promote competitiveness. Together the benchmarks and roadmaps will help industry establish clear manufacturing objectives. In addition, they will provide essential information for guiding the formation of Federal technology policies and programs related to manufacturing. This work is being done in conjunction with the benchmarking and roadmapping activities described in the Technology Competitiveness initiative.

Additionally, this initiative will allow support for the PNGV or the "Clean Car" initiative. On September 29, 1993, President Clinton and Vice President Gore joined with General Motors, Ford, and Chrysler to announce an historic new partnership. The PNGV initiative aims to strengthen U.S. competitiveness by developing technologies for a new generation of vehicles that are both safer and up to three times more fuel efficient. Funding is needed to support the Under Secretary's coordination of this important initiative. Although the President assigned the Under Secretary leadership responsibility for this initiative, no additional direct funding was received. Therefore, funds are requested to allow for staff support and coordination of activities associated with this Presidential initiative.

Department of Commerce
Technology Administration
Salaries and Expenses
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Under Secretary for Technology
Subactivity: Office of Technology Policy
Program Change: Manufacturing competitiveness

Title	Grade	Number	Annual Salary	Total Salaries
Manufacturing/mechanical engineer	13	2	\$49,947	\$99,894
Manufacturing/automotive engineer	12	2	42,003	84,006
Technology policy analyst	11	1	35,045	35,045
Subtotal		5		218,945
Less lapse	25 %	(1)		(54,736)
Total full-time permanent (FTE)		4		164,209
1995 Pay Adjustment (1.6%)				2,627
Total				166,836

Personnel Data

Full-Time Equivalent Employment: 4

Full-time permanent

Authorized Positions: 5

Full-time permanent

Department of Commerce
Technology Administration
Salaries and Expenses
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Under Secretary for Technology
Subjectivity: Office of Technology Policy
Program Change: Manufacturing competitiveness

Object Class	1995 Increase/ (Decrease) Obligations
11 Personnel compensation	\$167
11.1 Full-time permanent	167
11.9 Total personnel compensation	
12.1 Civilian personnel benefits	49
21 Travel and transportation of persons	75
22 Transportation of things	2
23.2 Rental payments to GSA	35
23.3 Communications, utilities and miscellaneous charges	20
24 Printing and reproduction	75
25.1 Consulting services	175
25.2 Other services	971
25.3 Purchases of goods and services from Government accounts	88
26 Supplies and materials	5
31 Equipment	30
32 Land and structures	0
41 Grants, subsidies and contributions	0
99 Direct obligations	1,692

Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
Salaries and Expenses
INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Base		1995 Estimate		Increase/Decrease	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
Under Secretary for Technology Office of Technology Policy	48	\$5,810	63	\$11,262	15	\$5,452
Technology Competitiveness			5	\$1,873	5	\$1,873

Technology Competitiveness (+5 permanent positions, BA +1,873,000, Direct Obligations +1,873,000) This initiative is designed to enhance the competitiveness of the nation's companies through benchmarks and roadmaps for specific industry sectors.

Problem Magnitude and Scope:

The traditional federal role in technology development has been limited to support of basic science and mission-oriented research located mainly in the Department of Defense, NASA, and the Department of Energy. With the rise of fierce global competition and the new understanding that much of our economy's competitive edge comes from continuous, incremental improvements in product and process, it has become clear that U.S. technology policy needs new directions, and that government can play a key role in helping private firms develop and profit from innovations.

Why US/OIP:

The President and Congress have given the Department of Commerce a leadership role in the government civilian technology effort. As a first step in fulfilling that role, Commerce published its Advanced Civilian Technology Strategy (ACTS). ACTS recognized that Commerce is the only federal department with the explicit mission of assisting American business and industry to succeed in the new world economy. This initiative will assist in defining the future direction of Federal technology policies and programs.

Description of Proposed Program:

As described in the President's November 1993 Progress Report, US/OTP will, in cooperation with industry, begin competitive benchmarks and strategic roadmaps. To begin this process US/OTP will carry out quantitative assessments of how certain strategic industrial sectors are performing relative to international competition. Industry will set the agenda for these much-needed benchmarking evaluations. Next, US/OTP will work with specific industries to develop strategic roadmaps to set goals for that industry. These roadmaps will describe barriers to meeting those goals and define actions industry and government should take to promote the competitiveness of that industry. Together the benchmarks and roadmaps will help industry establish clear technology-development objectives. In addition, they will provide essential information for guiding the formation of Federal technology policies and programs.

Department of Commerce
Technology Administration
Salaries and Expenses

PROGRAM CHANGE PERSONNEL DETAIL

Activity: Under Secretary for Technology
Subactivity: Office of Technology Policy
Program Change: Technology competitiveness

Title	Grade	Number	Annual Salary	Total Salaries
Attorney	14	1	\$59,022	\$59,022
Financial/policy analyst	13	3	49,947	149,841
Financial/policy analyst	12	1	42,003	42,003
Subtotal		5		250,866
Less lapse		(1)		(62,717)
Total full-time permanent (FTE)		4		188,149
1995 Pay Adjustment (1.6%)				3,010
Total				191,159

25 %

Personnel Data

Full-Time Equivalent Employment:

Full-time permanent

4

Authorized Positions:

Full-time permanent

5

Department of Commerce
Technology Administration
Salaries and Expenses
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Under Secretary for Technology
Subactivity: Office of Technology Policy
Program Change: Technology competitiveness

Object Class	1995 Increase/ (Decrease) Obligations
11 Personnel compensation	\$191
11.1 Full-time permanent	191
11.9 Total personnel compensation	56
12.1 Civilian personnel benefits	75
21 Travel and transportation of persons	5
22 Transportation of things	35
23.2 Rental payments to GSA	20
23.3 Communications, utilities and miscellaneous charges	75
24 Printing and reproduction	125
25.1 Consulting services	1,168
25.2 Other services	88
25.3 Purchases of goods and services from government accounts	5
26 Supplies and materials	30
31 Equipment	0
33 Investments and loans	0
41 Grants, subsidies and contributions	0
99 Direct obligations	1,873

Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
Salaries and Expenses
INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Base		1995 Estimate		Increase/Decrease	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
Under Secretary for Technology Office of Technology Policy	48	\$5,810	63	\$11,262	15	\$5,452
Access to Foreign Science and Technology			5	\$1,975	5	\$1,975

Access to Foreign Science and Technology (+5 permanent positions, BA + 1,975,000, Direct Obligation + 1,975,000) This initiative focuses on the development of a national strategy for acquiring and using foreign scientific and technical information through expansion of the Japan Technology Program, third year funding of the U.S.-Japan Manufacturing Technology Fellowship Program, support for the U.S.-Israel Commission, IMS support and increased support for the protection of U.S. Intellectual Property Rights (IPR) in the Government's international Science and Technology (S&T) agreements.

Problem Magnitude and Scope:

The U.S. has not previously had a coherent approach regarding the transfer of science and technology from foreign countries into the U.S. In fact, most technology transfer has been one way -- out of the U.S. Meanwhile, our competitors, most notably the Japanese, have been extremely successful at commercializing technologies originally developed in other countries. This Administration has recognized that the inability of U. S. industry to access and use the best technology and management practices developed in other countries has contributed to a decline in competitiveness of U. S. industry. To promote private sector competitiveness we must develop a strategy for acquiring, disseminating and using foreign technology. In addition, U.S. companies must operate in an increasingly complex world with regard to intellectual property rights. U.S. companies currently lose approximately \$50 billion annually as the result of foreign intellectual property rights violations. Serious steps must be taken to protect the intellectual property rights of U.S. companies.

Why US/OTP:

Commerce has been designated the federal government lead in Civilian Technology. Success depends not only focusing on domestic technology issues, but those that relate to the international arena. In addition, Commerce was designated as the lead agency for the U.S.-Israel Commission, started in January 1994, of which US/OTP will serve as executive secretariat.

Description of Proposed Program:

The U.S.-Japan Manufacturing Technology Fellowship (MTF) Program is an innovative program designed to place U.S. manufacturing engineers in Japanese firms. Although an increase of \$500,000 was appropriated in FY 1994, the full year cost of providing Japanese language training and promotion and selection of the candidates is much higher. Additional funding will allow this innovative program to involve more participants, thereby providing even greater access by U.S. industry to Japanese manufacturing practices. The MTF is a highly leveraged program. For every dollar spent by the U.S. government, an additional twenty-two dollars is spent by U.S. industry and the Japanese government for their costs associated with this program.

A second program area is expansion of the Japan Technology Program (JTP). Expansion of this program will increase both the quantity and quality of Japanese technical information made available to assist U.S. industry. In addition, as a result of the U.S.-Japan "Framework" negotiations, a cooperative program between US/OTP and MITI will expand U.S.-Japan efforts increase access to technology. Taking advantage of lessons learned and approaches of JTP, counterpart programs for providing access to the science and technology of Pacific Rim nations and the European Union will be initiated. China will be the first focus of this expansion.

Third, expansion of support for US/OTP as facilitator for the cooperative international Intelligent Manufacturing Systems (IMS) initiative will allow increased participation by U.S. industry. Japan is currently funding this program at \$10 million, Canada at \$600,000 and the European Union at \$5 million. The requested funding will provide U.S. industry, represented by US/OTP, with the continued ability to participate in this important initiative.

The Intellectual Property Rights (IPR) of U.S. industries is critical to their competitiveness. It is estimated that U.S. industry **loses** approximately **\$50 billion a year** due to foreign IPR violations. In addition, the U.S. government spends billions of dollars a year on R&D efforts, a substantial portion of which is devoted to cooperative activities with foreign partners. Given the monetary value of the research at stake, the government must protect its investment in R&D by ensuring protection of any IPRs that might be developed during S&T cooperation with foreign partners. With additional resources, US/OTP will be better able to serve as an active participant in these negotiations in order to ensure protection and increase effectiveness of U.S. industry's IPR's and obtain better access for U.S. researchers comparable to the access that the U.S. offers foreign researchers. US/OTP will work closely with U.S. industry to address their concerns.

Finally, this increase will allow funding for the U.S.-Israel Commission, a Presidential initiative, which was started in FY 1994. Although Commerce was given the lead, and US/OTP serves as the U.S. secretariat, no additional funding was provided. Additional funding will allow US/OTP to fulfill the terms of the MOU signed in January 1994.

Department of Commerce
Technology Administration
Salaries and Expenses

PROGRAM CHANGE PERSONNEL DETAIL

Activity: Under Secretary for Technology

Subactivity: Office of Technology Policy

Program Change: Access to foreign science and technology

Title	Grade	Number	Annual Salary	Total Salaries
International economist	13	1	\$49,947	\$49,947
International technology policy analyst	13	1	49,947	49,947
International technology policy analyst	12	2	42,003	84,006
International technology policy analyst	11	1	35,045	35,045
Subtotal		5		218,945
Less lapse		(1)		(54,736)
Total full-time permanent (FTE)		4		164,209
1995 Pay Adjustment (1.6%)				2,627
Total				166,836

Personnel Data

Full-Time Equivalent Employment:

Full-time permanent

4

Authorized Positions:

Full-time permanent

5

Department of Commerce
Technology Administration
Salaries and Expenses

PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Under Secretary for Technology
Subactivity: Office of Technology Policy

Program Change: Access to foreign science and technology

Object Class		1995
		Increase/ (Decrease)
		Obligations
11	Personnel compensation	\$167
11.1	Full-time permanent	167
11.9	Total personnel compensation	
12.1	Civilian personnel benefits	49
21	Travel and transportation of persons	100
22	Transportation of things	5
23.2	Rental payments to GSA	35
23.3	Communications, utilities and miscellaneous charges	20
24	Printing and reproduction	75
25.1	Consulting services	150
25.2	Other services	1,250
25.3	Purchases of goods and services from Government accounts	89
26	Supplies and materials	5
31	Equipment	30
33	Investments and loans	0
41	Grants, subsidies and contributions	0
99	Direct obligations	1,975

Department of Commerce
Technology Administration

Salaries and Expenses

PROGRAM CHANGE DETAIL BY OBJECT CLASS

(Dollars in thousands)

Activity: Under Secretary for Technology

Subactivity: Office of Technology Policy

Program Change: Administrative savings for 1995

Object Class

11	Personnel compensation	0	1995
11.1	Full-time permanent		Increase/
			(Decrease)
11.9	Total personnel compensation	0	Obligations
12.1	Civilian personnel benefits	0	
21	Travel and transportation of persons	(\$2)	
22	Transportation of things	0	
23.3	Communications, utilities and miscellaneous charges	(1)	
24	Printing and reproduction	(2)	
25.1	Consulting services	0	
25.2	Other services	(9)	
26	Supplies and materials	(1)	
31	Equipment	0	
33	Investments and loans	0	
41	Grants, subsidies and contributions	0	
99	Direct obligations	(15)	

Department of Commerce
Technology Administration
Salaries and Expenses

PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Under Secretary for Technology
Subactivity: Office of Technology Policy
Program Change: FTE savings for 1995

Object Class	1995 Increase/ (Decrease) Obligations
11 Personnel compensation	(559)
11.1 Full-time permanent	(59)
11.9 Total personnel compensation	(14)
12.1 Civilian personnel benefits	0
21 Travel and transportation of persons	0
22 Transportation of things	0
23.3 Communications, utilities and miscellaneous charges	0
24 Printing and reproduction	0
25.1 Consulting services	0
25.2 Other services	0
26 Supplies and materials	0
31 Equipment	0
32 Land and structures	0
41 Grants, subsidies and contributions	0
99 Direct obligations	(73)

Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease) Over 1995 Base
11 Personnel compensation					
11.1 Full-time permanent	\$1,957	\$2,615	\$2,720	\$1,184	\$464
11.3 Other than full-time permanent	0	0	0	0	0
11.5 Other personnel compensation	112	55	55	55	0
11.9 Total personnel compensation	2,069	2,670	2,775	3,239	464
12.1 Civilian personnel benefits	352	522	539	681	142
13 Benefits for other personnel	13	0	0	0	0
21 Travel and transportation of persons	84	200	203	451	248
22 Transportation of things	18	3	3	15	12
23.1 Rental payments to GSA	478	517	456	561	105
23.2 Rental payments to others	0	0	10	10	0
23.3 Communications, utilities, and miscellaneous charges	45	84	84	143	59
24 Printing and reproduction	54	62	64	287	223
25.1 Consulting services	194	570	570	3,859	3,289
25.2 Other services	102	245	245	790	545
25.3 Purchases of goods and services from Government accounts	656	692	722	983	261
26 Supplies and materials	93	74	76	90	14
31 Equipment	171	61	63	153	90
32 Land and structures	0	0	0	0	0
33 Investments and loans	0	0	0	0	0
41 Grants, subsidies, and contributions	0	0	0	0	0
42 Insurance claims and indemnities	0	0	0	0	0
99 Total Obligations	4,329	5,700	5,810	11,262	5,452

• Revised since MAX submission.

Personnel Data

Full-time equivalent employment:

Full-time permanent
Other than full-time permanent
Total

Authorized Positions:

Full-time permanent
Other than full-time permanent
Total

	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease) Over 1995 Base
Full-time permanent	33	43	48	60	12
Other than full-time permanent	0	0	0	0	0
Total	33	43	48	60	12
Full-time permanent	43	43	48	63	15
Other than full-time permanent	0	0	0	0	0
Total	43	43	48	63	15

Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	1995 Adjustment to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
11 Personnel compensation				
11.1 Full-time permanent				
Executive level	\$3	\$241	\$241	0
Senior executive service	5	398	398	0
General schedule	97	2,081	2,545	\$464
Subtotal	105	2,720	3,184	464
11.3 Other than full-time permanent				
General schedule	0	0	0	0
Experts & consultants	0	0	0	0
Subtotal	0	0	0	0
11.5 Other personnel compensation				
Overtime	0	0	0	0
SES performance awards	0	22	22	0
Cash awards	0	14	14	0
Merit pay awards	0	19	19	0
Other	0	0	0	0
Subtotal	0	55	55	0
11.9 Total personnel compensation	105	2,775	3,239	464

Object Class	1995 Adjustment to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
12.1 Civilian personnel benefits				
Civil service retirement	13	121	121	0
Federal employees' retirement	(21)	143	204	61
Thrift savings plan	(4)	46	55	9
Federal Insurance Contribution Act	0	35	75	40
Health insurance	18	148	174	26
Life insurance	1	26	32	6
Employees' Compensation Fund	0	0	0	0
Other	10	20	20	0
Subtotal	17	539	681	142
13 Benefits for former personnel				
Severance pay	0	0	0	0
Unemployment compensation	0	0	0	0
Subtotal	0	0	0	0
21 Travel and transportation of persons				
Common carrier	0	108	207	99
Mileage	0	5	11	6
Per diem/actual	3	53	159	106
Other	0	37	74	37
Subtotal	3	203	451	248
22 Transportation of things	0	3	15	12
23.1 Rental payments to GSA	(51)	456	561	105
23.2 Rental payments to others	(1)	10	10	0

Object Class	1995 Adjustment to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
23.3 Communications, utilities, and miscellaneous charges				
Rental of ADP equipment	0	18	18	0
Rental of office copying equipment	0	25	24	(1)
Other equipment rental	0	10	10	0
Federal telecommunications system	0	7	37	30
Other telecommunications services	0	20	24	4
Postal Service by USPS	0	4	30	26
Other	0	0	0	0
Subtotal	0	84	143	59
24 Printing and reproduction				
Publications	0	10	181	171
Public use forms	0	2	2	0
Envelopes	0	8	8	0
Other	2	44	96	52
Subtotal	2	64	287	223
25.1 Consulting services				
Management and professional support services	0	495	3,034	2,539
Special studies and analyses	0	75	825	750
Engineering and technical services	0	0	0	0
Subtotal	0	570	3,859	3,289
25.2 Other services				
Training	0	17	32	15
Maintenance of equipment	0	12	15	3
ADP Services	0	150	225	75
Other	0	66	518	452
Subtotal	0	245	790	545

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Object Class		1995 Adjustment to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
25.3	Purchases of goods and services from Government accounts	31	722	983	261
26	Supplies and materials				
	Office supplies	2	32	47	15
	ADP supplies	0	35	34	(1)
	Other	0	9	9	0
	Subtotal	2	76	90	14
31	Equipment				
	Office machines and other equipment	0	15	15	0
	ADP equipment	2	46	136	90
	Other	0	2	2	0
	Subtotal	2	63	153	90
32	Land and structures	0	0	0	0
33	Investments and loans	0	0	0	0
41	Grants, subsidies, and contributions	0	0	0	0
42	Insurance claims and indemnities	0	0	0	0
99	Total Obligations	110	5,810	11,262	5,452

DEPARTMENT OF COMMERCE
Technology Administration
Office of the Under Secretary/Office of Technology Policy

Salaries and Expenses
APPROPRIATIONS LANGUAGE AND CODE CITATIONS

"For necessary expenses of the Technology Administration, \$11,262,000, of which not to exceed \$2,000,000 shall remain available until September 30, 1996."

- | | |
|-----------------------|--------------------------------|
| 15 U.S.C. 3704(a)-(c) | 15 U.S.C. 1533 |
| 15 U.S.C. 3704(d) | 15 U.S.C. 4603 and 4603a |
| 15 U.S.C. 3704a | 22 U.S.C. 2656d(a) |
| 15 U.S.C. 3710(g) | 35 U.S.C. 157(d), 206-209, and |
| 15 U.S.C. 3711 | Executive Order 10096 |

15 U.S.C. 3704(a)-(c) establishes the Technology Administration and places within it the National Institute of Standards and Technology, the National Technical Information Service, and the Office of Technology Policy; creates the positions of Under Secretary for Technology and Assistant Secretary for Technology Policy; provides for the management of the Technology Administration by the Under Secretary and the supervision of its agencies, programs and activities; and provides the basic authority for preparing technology policy analyses, experiments, studies and reports.

15 U.S.C. 3704(d) contains basic authority for providing information and services relating to Japanese technical activities, developments and literature.

15 U.S.C. 3704a establishes within the Technology Administration a Clearinghouse on State and Local Initiatives on Productivity, Technology and Innovation.

- 15 U.S.C. 3710(g) authorizes the Secretary to provide services to federal agencies for the commercialization of technology developed at federal laboratories, to monitor agency use of cooperative R&D agreements as a means of transferring federally funded technology to the private sector, and to prepare related reports.
- 15 U.S.C. 3711 provides for the award by the President of the National Medal of Technology based upon recommendations of the Secretary of Commerce.
- 15 U.S.C. 1533 provides for the establishment of the Commerce, Science, and Technology Fellowship Program which is administered by the Office of the Under Secretary to enhance the career development of promising federal employees.
- 15 U.S.C. 4603 and 4603a names the Under Secretary for Technology to the Advisory Committee on Federal Participation in Sematech and provides for the issuance of certain reports.
- 22 U.S.C. 2656d(a) provides for consultations between the Secretary of State and Secretary of Commerce on international science and technology agreements, specifically recognizing their potential impact on federal technology management policies.
- 35 U.S.C. 206-209 and E.O. 10096 provide for the promulgation of policies and regulations concerning the ownership of patents as between agencies and their contractors and employees and the licensing of federally owned inventions and also for the preparation of certain reports regarding statutory invention registrations as an alternative to formal patents.

DEPARTMENT OF COMMERCE
TECHNOLOGY ADMINISTRATION
Office of the Under Secretary/Office of Technology Policy

Salaries and Expenses
CONSULTING AND RELATED SERVICES
(Obligations in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Management and professional services . .	\$190	495	3,034
Special studies and analyses	4	75	825
Management and Support services for research and development	0	0	0
TOTAL	194	570	3,859

Management and professional services are used by the Japan Technology Program for translation and Japanese language database expertise, for support in benchmarking and roadmaps, to support the Japan Manufacturing Technology Fellowship and the Com Sci programs, and for PNGV, project review, and data collection.

Special studies and analyses are used by the Japanese Technology Program. FY 1995 estimates includes increases for benchmarking and roadmaps.

• Revised since MAX submission.

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Department of Commerce
Technology Administration
Office of the Under Secretary/Office of Technology Policy
Salaries and Expenses

PERIODICALS, PAMPHLETS, AND AUDIOVISUAL PRODUCTS
(Obligations in thousands)

	1992 Actual	1993 Actual	1994 Estimate	1995 Estimate
Periodicals	5	12	12	12
Pamphlets	0	10	25	25
Audiovisuals	0	0	0	0
Total	5	22	37	37

DEPARTMENT OF COMMERCE
TECHNOLOGY ADMINISTRATION
Office of the Under Secretary/Office of Technology Policy

Salaries and Expenses
AVERAGE GRADE AND SALARIES

	1993 Actual	1994 Estimate	1995 Estimate
Direct:			
Average ES Salary	109,880	113,465	116,036
Average GS/GM Grade	11.8	12.11	11.25
Average GS/GM Salary	\$53,668	\$51,327	\$46,505
Average Salary of Ungraded Positions .	0	0	0

DEPARTMENT OF COMMERCE
NATIONAL TECHNICAL INFORMATION SERVICE
Budget Estimates, Fiscal Year 1995
President's Submission

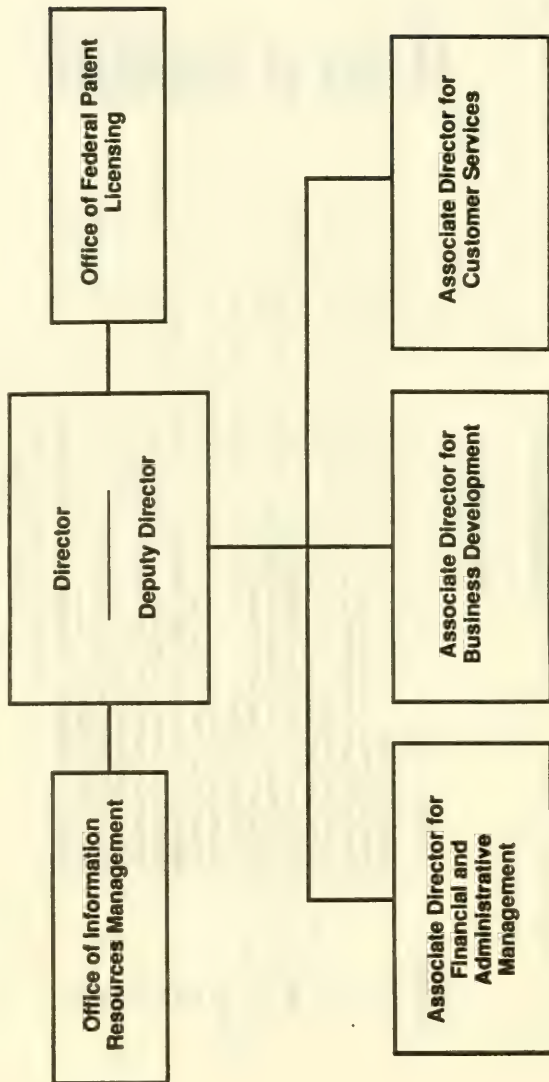
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U.S. DEPARTMENT OF COMMERCE

Exhibit 2

NATIONAL TECHNICAL INFORMATION SERVICE



DEPARTMENT OF COMMERCE
NATIONAL TECHNICAL INFORMATION SERVICE
Budget Estimates, Fiscal Year 1995
President's Submission

General Statement

Goals of the Program

The National Technical Information Service (NTIS), a component of the Technology Administration, operates under the provisions of Title 15, U.S. Code 1151-1157, as amended, to collect, process, market and disseminate scientific, technical, and related business information; license Federally-owned patents and transfer other specialized technologies to enhance the U.S. economy; and assist other agencies with their information dissemination programs.

Statement of Objectives

To provide products and services designed to increase the flow of technical information and technology into the marketplace. To serve as the primary source for the public sale of Government-sponsored technical information products, related business information, research in progress information, machine-processable data files and computer software and to serve the information dissemination needs of the Federal Government.

Summary of Proposed Increases

This initiative will allow the Federal Government to provide a model for American industry by communicating information generated by its own efforts to the American public in electronic formats. The FY 1995 budget for the NTIS contains a request for a one-time appropriation of \$18 million to support a system for effective and timely dissemination of technical and other government information to all users, including the private sector, universities, and government. In that spirit, the FY 1995 initiatives will also support vigorous implementation of the American Technology Preeminence Act (ATPA) to greatly increase the number of Federal information products centrally available to the public, and facilitate technology transfer from government to industry. The present request is aimed at hastening NTIS' modernization efforts to expedite the transition to full electronic dissemination of information. Three initiatives will ensure prompt implementation: supporting public access to electronic information through the Federal Depository Library Program; facilitating the expansion of federal information available electronically by assisting agencies in complying with the ATPA; and improving the information management and electronic dissemination capabilities of the Department of Commerce.

Summary of Performance and Resources

The NTIS Information Clearinghouse Program directly promotes the development and application of science and technology, providing channels for the dissemination of specialized information to business, industry, Government, and the public. The program's ongoing costs are funded through the sale of NTIS products and services. NTIS has recently undergone a reorganization that reduced costs, streamlined the organization, and made it more efficient and responsive to the needs of customers. NTIS has also invested \$3 million in a modernization effort to replace outdated order processing and input processing systems to improve customer service, reduce processing costs, and support the shift from traditional product formats to electronic formats.

NTIS is currently operating FedWorld, a prototype on-line information dissemination system that provides effective and comprehensive access to Government information. The system acts as an on-line locator system, offering access to a wide variety of products and services, including final reports, unpublished documents, and living documents such as electronic bulletin board systems and on-line databases. It not only serves as a locator service but also provides for ordering and acquiring information in a timely and efficient manner. In FY 1994, NTIS will continue to operate and enhance the system using non-appropriated funds. It is estimated that 900,000 callers will access FedWorld with 600,000 downloads of information taking place during FY 1994. During FY 1995, as the program grows in comprehensiveness and usage, and as more is learned about the requirements for the program, appropriated support will be required to expand its capacity, speed, power, and improve ease of access.

The on-going clearinghouse programs of NTIS are funded by receipts deposited in the public enterprise revolving fund. Through this program, NTIS plans to obligate appropriated funds of \$18,000,000 and \$70,000,000 of reimbursable funds in FY 1995.

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National Technical Information Service:	(Dollar amounts in thousands)				
	1995	1996	1997	1998	1999
Direct Obligations					
Information clearinghouse program	\$18,000	0	0	0	0
Reimbursement from offsetting collections:					
Information clearinghouse program	70,000	\$70,000	\$70,000	\$70,000	\$70,000
Total, NTIS	\$88,000	\$70,000	\$70,000	\$70,000	\$70,000

Page No.		Budget Authority							
		Positions		Estimate		FTE		Increase/ (Decrease) Over 1995 Base	
		EFE	Amount	EFE	Amount	EFE	Amount	EFE	Amount
	Appropriation Available, 1994.....	0	\$8,000	0	0	0	\$18,000	0	\$18,000
	less: Obligations from prior years.....	-0	5,825	-0	-0	-0	18,000	-0	+18,000
	plus: 1995 adjustments to base.....	0	8,000	0	0	0	18,000	0	+18,000
	less: Prior year recoveries.....	0	5,825	0	0	0	18,000	0	+18,000
	1995 Base	0	0	0	0	0	0	0	0
	plus: 1995 program changes	0	0	0	0	0	0	0	0
	1995 Estimate	-0	200	-0	-0	-0	-0	-0	-0
		0	8,000	0	0	0	18,000	0	+18,000
	NTIS-17	0	8,000	0	0	0	18,000	0	+18,000
	Comparison by activity								
	National Technical Information Service:								
	Information clearinghouse								
	program								
	Pos./B.A.								
	FTE/Obl.								
	Direct Obligations								
	Pos./B.A.								
	FTE/Obl.								
	Adjustments to Obligations								
	Recoveries								
	Unobligated Balance, start of year								
	Unobligated balance end of year								
	Unobligated balance lapsing								
	Financing from transfers:								
	Transfer from other accounts								
	Transfer to other accounts								
	Appropriation								

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
SUMMARY OF FINANCING
(Dollar amounts in thousands)

	1993 Actual \$44,916	1994 Currently Available \$68,000	1995 Base \$68,000	1995 Estimate \$88,000	Increase/ (Decrease) Over 1995 Base +\$20,000
Total Obligations					
Offsetting collections from:					
Federal funds	(10,997)	(19,040)	(19,040)	(19,600)	(560)
Trust funds	0	0	0	0	0
Non-federal sources	(28,094)	(48,960)	(48,960)	(50,400)	(1,440)
Recoveries	0	0	0	0	0
Unobligated balance, start of year	0	(1,975)	(1,975)	(1,975)	0
Unobligated balance, end of year	1,975	1,975	1,975	1,975	0
Unobligated balance lapsing	0	0	0	0	0
Budget Authority	7,800	0	0	18,000	+18,000
Financing:					
Transfers from other accounts	0	0	0	0	0
Transfers to other accounts	200	0	0	0	0
Appropriation	8,000	0	0	18,000	+18,000

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: National Technical Information Service
Subactivity: Information Clearinghouse Program

	1993		1994		1995		1995		Increase/ (Decrease) over 1995 Base
	Actual	Amount	Currently Available	Amount	Base	Amount	Estimate	Amount	
	Resound	Amount	Resound	Amount	Resound	Amount	Resound	Amount	Resound Amount
Information clearinghouse program									
FTE/Oblig.	0	\$5,825	0	0	0	0	0	\$18,000	0 +\$18,000
Total	0	5,825	0	0	0	0	0	18,000	0 +18,000

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Subactivity:	National Technical Information Service Information Clearinghouse Program	1993		1994		1995		1995		Increase/ (Decrease) over 1995 Base
		Actual	Amount	Currently Available	Amount	Base	Amount	Estimate	Amount	
		Posund	Amount	Posund	Amount	Posund	Amount	Posund	Amount	Posund
Information clearinghouse	program	360	\$39,091	415	\$68,000	415	\$68,000	415	\$70,000	0
		351		381		381		378		-3
Total	Pos./BA FTE/Oblig.	360	\$39,091	415	\$68,000	415	\$68,000	415	\$70,000	0
		351		381		381		378		-3

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
JUSTIFICATION OF PROGRAM AND PERFORMANCE
(Dollar amounts in thousands)

Activity: National Technical Information Service
Subactivity: Information Clearinghouse Program

Goal Statement

To collect, process, market and disseminate scientific, technical, and related business information; license Federally-owned patents and transfer other specialized technologies to enhance the U.S. economy; and assist other agencies with their information dissemination programs.

Base Program

Information Clearinghouse Program -- Operates as a central source for the public sale of domestic and foreign Government-funded technical and business information. The program directly promotes the development and application of science and technology, and provides channels for the dissemination of specialized information to business, industry, Government, and the public. Approximately 87,000 new technical information products were processed last year and made available. Through the acquisition and distribution of Government-produced computer programs and computerized databases, on-line access is provided to bibliographic databases produced by or for Government agencies. Access to summaries describing ongoing Government-funded research projects in the fields of physical sciences, engineering, and life sciences also are available. International agreements for the exchange of scientific and technical information are established, and foreign information is identified, acquired, translated, and disseminated to U.S. industry upon request. Information is available in all media and a wide variety of formats.

NTIS is currently operating FedWorld, a prototype on-line system that provides effective and comprehensive access to Government information. The system acts as an on-line locator system, offering access to a wide variety of products and services including final reports, unpublished documents and living documents such as electronic bulletin board systems and on-line databases. It not only serves as a locator service but also provides for ordering and acquiring the information in a timely and efficient manner. In FY 1994, NTIS will continue to operate and enhance the system using non-appropriated funds. However, appropriated support is required to quickly expand its capacity, speed, power and improve ease of access to all users.

Explanation and Justification:

The NTIS' ongoing Information Clearinghouse program is funded through the sales of NTIS products and services.

Cooperative Implementation of the American Technology Preeminence Act (ATPA) can greatly increase the number of Federal Information products available to the public, and can facilitate technology transfer from government to industry. Three initiatives can ensure prompt implementation: facilitating public access to electronic information through the Federal Depository Library Program; facilitating the expansion of federal information electronic availability by assisting agencies in complying with the ATPA; and improving the information management and electronic dissemination capabilities of the Department of Commerce.

Measures of performance:

	Unit Sales Measures	
	1993 Actual	1994 Estimate
Information Clearinghouse Program:		
Information products catalogued and indexed		
NTIS announcement products, and subscriptions:	86,883	100,000
Abstract Newsletters	3,286	4,000
Government Reports Announcements & Index (GRA&I)	480	500
Published searches sold	10,779	13,200
Specialized subscriptions and standing orders	15,628	17,000
Copies of documents sold:		
Paperbound demand	308,852	355,000
Microfiche demand	16,431	20,000
Selected research in microfiche (SRIM)	1,278,772	1,400,000
Computer products sold	12,568	17,000
Databases offered	12	15
Data files offered	3,000	3,500
Software programs offered	2,000	2,200
Database users	23,000	25,000
Patent licenses granted	18	25
Inventions foreign filed	0	6
International agreements	83	85
		90

Performance Measures

	1992 Actual	1993 Actual	1994 Estimate	1995 Estimate
Quality Measures:				
Number of Customer Complaints (average per week)	250	159	125	100
Order Turnaround Time (average number of days)	5.5	5.5	5.0	4.5
Financial Measures:				
Quick Ratio	1.57	1.92	1.95	2.00
Current Ratio	1.63	1.98	2.30	2.65
Percent change in sales volume (Clearinghouse Products Only)	3.8%	-1.4%	1.5%	2.0%
Gross Profit Margin (Clearinghouse Products Only)	32%	29%	32%	35%
Net Profit Margin	8%	6%	8%	10%
Inventory Turnover	17.19	14.29	15.50	16.00
Accounts Payable to Net Sales	.43	.61	.55	.50
Inventory to Working Capital	.10	.06	.05	.03
Accounts Receivable Turnover	13.02	10.12	11.00	12.00

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
INCREASES FOR 1995
(Dollar amounts in thousands)

1995 Base	1995 Estimate	Increase/(Decrease)
Personnel	Personnel	over 1995 Base
Amount	Amount	Amount
0	0	0
	\$18,000	\$18,000

Information clearinghouse program

Facilitating Public Access Through Depository Libraries (\$6,000,000) The Depository Library Program serves as the nation's "information safety net" ensuring that every American, regardless of geographic location or economic status, has equal access to the wealth of government sponsored information. This request will provide a capital investment to roughly 100 of the 1,400 Federal depository libraries. A competitive process for awarding grants will be developed in consultation with the Depository Library Council and the Superintendent of Documents. Grants to these libraries will finance acquisition of hardware, software and associated training to better enable them to take advantage of the increasing amount of Federal information being made available on-line. This hardware, software, and training will allow the depository libraries to access, electronically through FedWorld, a bibliographic file of the over 6,000 documents entering the NTIS system each month. The depository libraries will be able to electronically identify documents that may not have been identified by the Superintendent of Documents. This investment coupled with the capabilities of FedWorld, will help libraries acquire these so called "fugitive" documents that currently escape the GPO acquisition process.

Assisting Agencies in Complying with ATPA (\$6,000,000) The American Technology Preeminence Act requires timely transfer of Federally produced or financed technical information to NTIS for dissemination to the public. NTIS will distribute over two million reports directly to the public during FY 1995, the majority of which are produced by or for the U. S. Government. The reports are issued and received in numerous media formats including microfiche, paper, diskette, compact tape and CD-ROM. The challenge NTIS faces is to permanently store the newly acquired information and to convert it from the format received to the format required to meet the public's and industry's needs in a cost effective and timely manner. This funding request will underwrite NTIS' investment in new equipment, software, and facilities necessary to create a multifaceted information system capable of receiving, processing, storing, and disseminating Federally funded information into the wide variety of formats necessary to meet industry needs. The permanent information database will be provided in a variety of formats that also encourage the public to take full advantage of the increased information generated by ATPA. Additional benefits to industry and the public include more centralized information, reduced costs and the development of a versatile information system that overcomes the limiting conditions caused by non-standard and incompatible media and formats. These facilities will also support agencies across government and throughout the Department of Commerce as they seek to create technical information products in the electronic format selected by the users.

Improve NTIS' Information Management and Dissemination Capabilities - (\$6,000,000) - In fourteen months of operation, FedWorld, NTIS' on-line locator system, has developed a user base of over 50,000 users and handled over 300,000 calls. At peak capacity, FedWorld can handle as many as 3,500 connections in a single day. In recent months, the user base has grown at a rate of roughly 10% per month. This electronic marketplace represents a tremendous resource for agencies that wish to make their information easily accessible to the general public. However, the system is currently operating at full capacity. Upgrades are planned through the course of FY 1994; but if FedWorld is to deliver on its full potential, it must dramatically increase the number of simultaneous users it can handle, and increase its computing power, speed, storage capacity and improve its ease of use. Based on the current level of demand, FedWorld must be prepared to accommodate the needs of tens of thousands of Americans every day, necessitating major increases in its ability to handle access via Internet, commercial packet switching, and dial-up modem. In addition, as FedWorld begins to support the information dissemination needs of many different agencies, more sophisticated software will be needed to guide the user through a larger, more complex system directly to the specific resources he or she seeks. New user interfaces must support both the sophisticated high-end Internet user, who expects powerful interfaces and high data transfer rates, as well as the user calling in with older, slower modem technology. This is particularly important with respect to preventing the development of an information underclass, and in providing full access to the 1,400 Depository Libraries. Without a major upgrade of FedWorld's capabilities in hardware, software, and communications, the number of potential callers and the amount of information that can be made available will be limited and potential customers will be turned away because of their inability to connect to the on-line system's host computer. Appropriated support is requested to finance capital computing and communications equipment, software expansions, and enhancements of the services provided by NTIS' FedWorld on-line system. These steps also will assist NTIS in becoming one host for the Government Information Locator Service and upgrading capabilities to allow the addition of Department of Commerce Information.

Performance Measures:

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Grants issued to Federal depository libraries	100	0	0	0	0
Annual additions to NTIS collection	115,000	120,000	125,000	125,000	125,000
Customers accessing the locator service annually	3,000,000	7,500,000	9,000,000	9,000,000	9,000,000
Annual number of downloads	2,000,000	5,000,000	6,000,000	6,000,000	6,000,000

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollar amounts in thousands)

Activity: Subactivity:	National Technical Information Service Information Clearinghouse Program	1995 Increase
Object Class		
11 Personnel compensation		0
11.1 Full-time permanent		0
11.3 Other than full-time permanent		0
11.5 Other personnel compensation		0
11.8 Special personnel services payments		0
11.9 Total personnel compensation		0
12.1 Civilian personnel benefits		0
13 Benefits for former personnel		0
21 Travel and transportation of persons		\$100
22 Transportation of things		0
23.1 Rental payments to GSA		0
23.2 Rental payments to others		0
23.3 Communications, utilities and miscellaneous charges		0
24 Printing and reproduction		100
25.1 Consulting service		0
25.2 Other Services		3,300
25.3 Purchase of goods and services from Gov't accounts		600
25.4 Operation of GOCO's		0
25.5 Research and development contracts		0
26 Supplies and materials		0
31 Equipment		8,200
32 Lands and structures		0
33 Investments and loans		0
41 Grants, subsidies and contributions		5,700
42 Insurance claims and indemnities		0
43 Interest and dividends		0
44 Refunds		0
99 Total Obligations		18,000

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease) over 1995 Base
11 Personnel compensation.....	0	0	0	0	0
11.1 Full-time permanent.....	0	0	0	0	0
11.3 Other than full-time permanent.....	0	0	0	0	0
11.5 Other personnel compensation.....	0	0	0	0	0
11.8 Special personnel services payments.....	0	0	0	0	0
11.9 Total personnel compensation.....	0	0	0	0	0
12.1 Civilian personnel benefits.....	0	0	0	0	0
13 Benefits for former personnel.....	0	0	0	0	0
21 Travel and transportation of persons.....	0	0	0	100	+100
22 Transportation of things.....	0	0	0	0	0
23.1 Rental payments to GSA.....	0	0	0	0	0
23.2 Rental payments to others.....	0	0	0	0	0
23.3 Communications, utilities and miscellaneous charges.....	0	0	0	0	0
24 Printing and reproduction.....	0	0	0	100	+100
25.1 Consulting service.....	0	0	0	0	0
25.2 Other Services.....	5,825	0	0	3,300	+3,300
25.3 Purchase of goods and services from Gov't accounts.....	0	0	0	600	+600
25.4 Operation of GOCOs.....	0	0	0	0	0
25.5 Research and development contracts.....	0	0	0	0	0
26 Supplies and materials.....	0	0	0	0	0
31 Equipment.....	0	0	0	8,200	+8,200
32 Lands and structures.....	0	0	0	0	0
33 Investments and loans.....	0	0	0	0	0
41 Grants, subsidies and contributions.....	0	0	0	5,700	+5,700
42 Insurance claims and indemnities.....	0	0	0	0	0
43 Interest and dividends.....	0	0	0	0	0
44 Refunds.....	0	0	0	0	0

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease) over 1995 Base
99					
Total Obligations.....	\$5,825	0	0	\$18,000	+\$18,000
Less prior year recoveries.....	0	0	0	0	0
Total Budget Authority	\$5,825	\$0	\$0	\$18,000	+\$18,000
Personnel Data					
Personnel financed from direct obligations					
Full-Time equivalent Employment:					
Full-time permanent	0	0	0	0	0
Other than full-time permanent	0	0	0	0	0
Total					
Authorized positions:					
Full-time permanent	0	0	0	0	0
Other than full-time permanent	0	0	0	0	0
Total					
Personnel financed from offsetting collections					
Full-Time equivalent Employment:					
Full-time permanent	334	351	351	349	-2
Other than full-time permanent	17	30	30	29	-1
Total	351	381	381	378	-3
Authorized positions:					
Full-time permanent	360	415	415	415	0
Other than full-time permanent	43	43	43	43	0
Total	403	458	458	458	0

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

		1995 Adjustment to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
	Object Class				
11	Personnel compensation	0	0	0	0
11.1	Full-time permanent	0	0	0	0
	Executive level	0	0	0	0
	Senior executive service	0	0	0	0
	General schedule	0	0	0	0
	Subtotal	0	0	0	0
11.3	Other than full-time permanent	0	0	0	0
	General schedule	0	0	0	0
	Subtotal	0	0	0	0
11.5	Other personnel compensation	0	0	0	0
	Overtime	0	0	0	0
	SES performance awards	0	0	0	0
	Cash awards	0	0	0	0
	Merit pay awards	0	0	0	0
	Other	0	0	0	0
	Subtotal	0	0	0	0
11.8	Special personnel services payments	0	0	0	0
	Foreign service officers (State)	0	0	0	0
	Other	0	0	0	0
	Subtotal	0	0	0	0
11.9	Total personnel compensation	0	0	0	0

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

		1995 Adjustment to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
12.1	Object Class				
	Civilian personnel benefits				
	Civil service retirement	0	0	0	0
	Federal employees' retirement	0	0	0	0
	Thrift savings plan	0	0	0	0
	Federal insurance contribution act	0	0	0	0
	Health insurance	0	0	0	0
	Life insurance	0	0	0	0
	Employees' compensation fund	0	0	0	0
	Other	0	0	0	0
	Subtotal	0	0	0	0
13	Benefits for former personnel				
	Severance pay	0	0	0	0
	Unemployment compensation	0	0	0	0
	Other	0	0	0	0
	Subtotal	0	0	0	0
21	Travel and transportation of persons				
	Common carrier	0	0	\$50	+\$50
	Mileage	0	0	0	0
	Per diem/actual	0	0	50	+\$50
	Vehicular	0	0	0	0
	Other	0	0	0	0
	Subtotal	0	0	100	+100

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

<u>Object Class</u>	<u>1995 Adjustment to Base</u>	<u>1995 Base</u>	<u>1995 Estimate</u>	<u>Increase/ (Decrease)</u>
22 Transportation of things.....	0	0	0	0
23.1 Rental payments to GSA.....	0	0	0	0
23.2 Rental payments to others.....	0	0	0	0
23.3 Communications, utilities and miscellaneous charges				
Rental of ADP equipment.....	0	0	0	0
Rental of office copying equipment.....	0	0	0	0
Other equipment rental.....	0	0	0	0
Federal telecommunications systems.....	0	0	0	0
Other telecommunications services.....	0	0	0	0
Postal Service by USPS.....	0	0	0	0
Other.....	0	0	0	0
Subtotal.....	0	0	0	0
24 Printing and reproduction				
Publications.....	0	0	100	+100
Public use forms.....	0	0	0	0
Envelopes.....	0	0	0	0
Other.....	0	0	0	0
Subtotal.....	0	0	100	+100

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

		1995 Adjustment to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
25	Object Class				
25.1	Consulting and Other services				
	Management and professional services.....	0	0	0	0
	Studies, analyses and evaluation.....	0	0	0	0
	Engineering and technical services.....	0	0	0	0
	Subtotal.....	0	0	0	0
25.2	Other Services				
	Training:				
	University.....	0	0	0	0
	Other.....	0	0	100	+100
	Maintenance of equipment.....	0	0	100	+100
	ADP services.....	0	0	0	0
	Telecommunications services.....	0	0	0	0
	Other non-government contracts.....	0	0	500	+500
	Other.....	0	0	2,600	+2,600
	Subtotal.....	0	0	3,300	+3,300
25.3	Purchases of goods and services from Gov't accounts				
	Training:				
	Office of personnel management.....	0	0	0	0
	GSA reimbursable services.....	0	0	0	0
	Payments to GA, WCF.....	0	0	0	0
	Other.....	0	0	600	+600
	Subtotal.....	0	0	600	+600

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	1995 Adjustment to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
25.4 Operations of GOCOs.....	0	0	0	0
25.5 Research and development contracts.....	0	0	0	0
Subtotal Object Class 25.....	0	0	3,900	+3,900
26 Supplies and materials				
Office supplies	0	0	0	0
ADP supplies.....	0	0	0	0
Other.....	0	0	0	0
Subtotal	0	0	0	0
31 Equipment				
Office machines and equipment	0	0	0	0
ADP hardware.....	0	0	4,000	+4,000
ADP software	0	0	1,200	+1,200
Other.....	0	0	3,000	+3,000
Subtotal	0	0	8,200	+8,200
32 Lands and structure	0	0	0	0
33 Investments and loans	0	0	0	0
41 Grants, subsidies and contributions	0	0	5,700	+5,700
42 Insurance claims and indemnities	0	0	0	0
43 Interest and dividends	0	0	0	0
44 Refunds.....	0	0	0	0
99 TOTAL OBLIGATIONS	0	0	18,000	+18,000
Less prior year recoveries	0	0	0	0
Total Budget Authority	0	0	18,000	+18,000

Department of Commerce
National Technical Information Service

NTIS Revolving Fund

APPROPRIATIONS LANGUAGE AND CODE CITATIONS

For expenses necessary to implement three one-time initiatives associated with implementation of the American Technology Preeminence Act (ATPA), \$18,000,000 to remain available until expended. (*15 U.S.C. 3701 American Technology Preeminence Act*)

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
CONSULTING AND RELATED SERVICES
(Obligations in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Management and Professional Support Services.....	\$43	\$50	\$50
Studies, Analysis and Evaluations.....	0	0	0
Engineering and Technical Services.....	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL.....	43	50	50

Providing products and services into the world marketplace, and serving as the primary source for the public sale of Government-sponsored research and engineering reports, research in progress information, machine-processable data files and computer software, NTIS must acquire services supporting its varied operations.

In an effort to modernize operations to most effectively achieve its mission, NTIS acquired services to provide technical expertise on how to respond entrepreneurially to new technology, business strategies regarding information technology, and advice on the design of an overall information system architecture, as well as advise on procurement matters for this effort.

To better serve customers, services supporting information products about the biotechnology and medical industry, were acquired. These services included identifying new product configurations, and identifying strategic marketing plans.

Other management and professional services acquired in FY 1993 included: writing and editing activities for various promotional activities, technical and professional services to manage the execution of a conference, and advice concerning industry accounting practices for databases.

Department of Commerce
National Technical Information Service
NTIS Revolving Fund
PERIODICALS, PAMPHLETS, AND AUDIOVISUAL PRODUCTS
(obligations in thousands)

	1992 Actual	1993 Actual	1994 Estimate	1995 Estimate
Periodicals	\$7	\$6	\$8	\$9
Pamphlets.....	0	0	0	0
Audiovisuals.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total.....	\$7	\$6	\$8	\$9

Providing products and services into the world marketplace, and serving as the primary source for the public sale of Government-sponsored research and engineering reports, research in progress information, machine-processable data files and computer software, NTIS must acquire periodicals supporting these functions.

NTIS acquires various periodicals supporting its business type activities as well as its government activities. Marketing and promotion periodicals were purchased to provide insight into current trends, as well as marketing forecasts, which enabled NTIS to make the widest dissemination of information possible. Periodicals providing information about the latest computer software, and management objectives/techniques helped to continually improve service to customers using more efficient and effective methods of operations. Reference manuals, identifying essential information required to complete the records input into the NTIS database are a necessary acquisition to ensure complete useful data to customers.

DEPARTMENT OF COMMERCE
NATIONAL TECHNICAL INFORMATION SERVICE
NTIS Revolving Fund
AVERAGE GRADE AND SALARIES

	1993 Actual	1994 Estimate	1995 Estimate
Reimbursable:			
Average ES Grade	3.3	2.8	2.4
Average GS/GM Grade	7.7	7.5	7.5
Average GS/GM Salary	\$35,198	\$36,315	\$37,458

Department of Commerce
National Technical Information Service
Information Products and Services
PROGRAM AND PERFORMANCE
(Dollar amounts in thousands)

Activity: National Technical Information Service
Subactivity: Information Clearinghouse Program

	1993		1994		1995		1995		Increase/ (Decrease) over 1995 Base
	Actual	Amount	Currently Available	Amount	Base	Amount	Estimate	Amount	
	Pos./BA	FTE/Oblig.	Pos./BA	FTE/Oblig.	Pos./BA	FTE/Oblig.	Pos./BA	FTE/Oblig.	
Information clearinghouse program	0	\$7,053	0	\$2	0	0	0	0	0
	0	\$7,051	0	\$2	0	0	0	0	0
Total	0	\$7,053	0	\$2	0	0	0	0	0
	0	\$7,051	0	\$2	0	0	0	0	0

Department of Commerce
National Institute of Standards and Technology

BUDGET ESTIMATES, FISCAL YEAR 1995
PRESIDENT'S SUBMISSION

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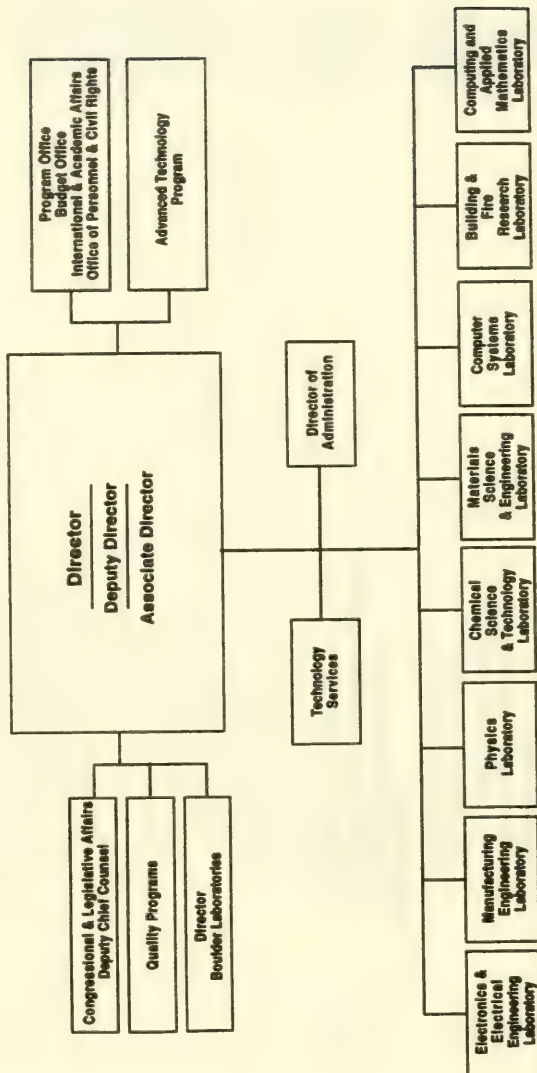
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U.S. DEPARTMENT OF COMMERCE

National Institute of Standards and Technology



DEPARTMENT OF COMMERCE
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
Budget Estimates, Fiscal Year 1995
President's Submission

GENERAL STATEMENT

President Clinton has called for substantial increases in funding for the Commerce Department's National Institute of Standards and Technology as part of his plans to more vigorously support civilian technology in our post-Cold War era. Specifically, *A Vision of Change for America* calls for aggressive growth for NIST by (1) building the Advanced Technology Program to an estimated \$750 million by 1997 to provide a much more powerful mechanism for cost-shared awards to industry for development of high-risk, high pay off technologies, (2) creating a nationwide network of over 100 manufacturing extension centers by 1997 to assist small- and mid-sized businesses to modernize their production capability, and (3) doubling by 1997 NIST laboratory support focussed on "infrastructure technologies," such as measurements, standards, evaluated data, and test methods needed by U.S. industry to compete internationally. The proposed FY 1995 NIST budget is a critical step toward realizing the President's vision.

Global technology and market changes are forcing U.S. shifts towards civilian R&D strategies. Commercially oriented Federal technology investment is a mandatory element of these strategies. The President has charged Commerce Secretary Brown with leading the Government's effort to assure the United States a pre-eminent economic position in the 21st century, and NIST's technology-focussed work is critical. Part of Commerce's Technology Administration, NIST is unique among Federal agencies because of its close links to U.S. commercial industry.

Goals of the Program

NIST's primary mission is to promote U.S. economic growth by working with industry to develop and apply technology, measurements, and standards.

NIST's customers are found in both the manufacturing and service sectors, and its work supports our Nation's 370,000-plus manufacturers and the National Information Infrastructure that is being created to serve the U.S. economy and our citizens.

Unlike any other Federal research organization, NIST has more than 90 years experience:

- o collaborating directly with industry researchers;
- o tailoring its programs to meet industry needs;
- o working internationally to advance U.S. industry's interests in standards-related matters;
- o anticipating the needs of the technology "infrastructure" by conducting measurement research needed for developing and commercializing the next generation of commercial technologies; and
- o developing industry-focused programs to assist other Federal agencies in accomplishing their missions.

Though demanding different management strategies to be most effective, NIST's newer programs of direct, cost-shared support for the private sector have the same characteristics of strong industrial ties as the Institute's more established laboratory programs. NIST has in place comprehensive plans and the capability to rapidly scale up its programs to meet the Administration's intensified emphasis on technology for economic progress.

Statement of Objectives

In the last ten years, significant debate has taken place over how to help U.S. industry improve its international competitiveness, regain lost market share, and generate growth in the high-wage jobs that can stop the decline in U.S. workers' real earnings. Over the last ten to fifteen years, the success of U.S. competitors in Europe and Asia has been attributed in large part to systematic coordination of economic and technology policy initiatives. The Clinton Administration has charged the U.S. Department of Commerce to work with U.S. industry, the Office of Science and Technology Policy, the National Economic Council, and others to implement a comparable integration of U.S. economic and technology policy. NIST's placement in the DoC, its proven programs, and its long experience in working cooperatively with U.S. industry place it in a strong position to play a vital role in this effort. That cooperation is crucial. In a recent report, the Council on Competitiveness described NIST's process of working with industry as "the most streamlined of all and is perhaps the best model for other federal laboratories to follow...NIST is very flexible and able to respond quickly to industry's inquiries without bureaucratic interference."

NIST offers exactly the integrated systems approach to addressing U.S. technology and economic needs that many scholars, policy makers, and industry leaders have been advocating. NIST promotes U.S. economic growth by working with industry to develop and apply technology, measurements, and standards. It carries out this mission through a portfolio of four major programs:

- o a rigorously competitive Advanced Technology Program providing cost-shared grants to industry for development of high-risk technologies with significant commercial potential;

- o a grassroots Manufacturing Extension Partnership helping small- and medium-sized companies adopt new technologies;
- o a strong laboratory effort planned and implemented in cooperation with industry and focussed on measurements, standards, evaluated data, and test methods; and
- o a highly visible quality program associated with the Malcolm Baldrige National Quality Award.

Environmental Assumptions

U.S. industries will be increasingly challenged by a larger number of tough foreign competitors. U.S. capabilities to deal with these competitors will be greatly improved through investments in the development and deployment of industrial technologies.

The Department of Commerce will ensure and enhance long-term U.S. economic opportunity by promoting and expanding its programs in technological development and commercialization.

The end of the Cold War and the rise in global economic competition demand that Congress and the Administration support programs for industrial competitiveness. The importance of competitiveness will continue to be stressed in the budget process. The ratio of Defense to non-Defense R&D funding in Federal R&D will move from 60:40 to 50:50.

NIST will play a vital role in improving the environment in which industry can bring new technology to market and compete effectively. NIST has an unparalleled mandate to focus on competitiveness and has done so by developing a set of four major programs, planned and carried out in partnership with industry.

Authorizing Legislation will be adopted. NIST programs operate under the continuing authority of the National Institute of Standards and Technology Act, as amended, (15 U.S.C. 271 et seq.). House passed H.R. 820 and its companion S. 4, the National Competitiveness Act, provide authorizations of appropriations for NIST programs through FY 1996 and support the President's priority of an aggressive growth strategy for NIST.

Summary of Proposed Budget Increases

Adjustments to base and built-in changes in all three appropriations result in an increase of \$10,886,000.

- o **Industrial Technology Services (ITS)** adjustments to base include \$128,000 for increased costs of personnel benefits and within grades; and \$114,000 for the estimated cost of the FY 1995 pay raise.

o **Scientific and Technical Research and Services (STRS)** adjustments to base include a transfer of 5 positions and \$5,153,000 from the STRS appropriation to the Construction of Research Facilities appropriation to consolidate all funding associated with the construction of new facilities and the maintenance of present facilities; \$1,417,000 for the estimated cost of the FY 1995 pay raise, \$1,610,000 for increased costs of personnel benefits and within-grades; and \$303,000 for increases in equipment depreciation costs arising from inflation.

o **Construction of Research Facilities (CRF)** adjustments to base include a transfer of 5 positions and \$5,153,000 from the STRS appropriation to consolidate all funding associated with the construction of new facilities and the maintenance of present facilities.

NIST initiatives required to fulfill the President's civilian technology agenda totaling 207 positions and \$406,391,000 are requested for the four elements of NIST's integrated system of supporting industry. Brief descriptions of each policy initiative, grouped by appropriation, follow. In each case, NIST will build on proven programs and will quickly scale-up its efforts in close cooperation with industry. Strategic plans have been developed to assure maximum impact and speed in sharing the technology benefits of these programs with industry.

Industrial Technology Services program changes totaling 34 positions and \$285,465,000 represent a 123 percent increase over the FY 1994 appropriated level. These programs support a variety of mechanisms for extending technology to American industry and fostering the development of broad-based, high-risk technologies by industry. Both the Advanced Technology Program and Manufacturing Extension Partnership must grow to a level at which each can be a powerful national program that makes a large difference to our industries, rather than being just effective programs that have helped a limited number of companies.

o **Advanced Technology Program.** NIST requests \$250,800,000 to expand its cost-shared partnerships that are critical to long-term U.S. economic growth and industrial productivity. This increase would support the outyears for all active multi-year projects and initiate six to ten competitions which will result in approximately 200 new awards. These projects will be selected on the basis of a rigorous competition that considers both the technical and business merits of the proposals. Individual companies and consortia would be funded both in general and in "program" competitions focussing on a set of business and technology goals.

o **Manufacturing Extension Partnership.** NIST requests 21 positions and \$30,665,000 to provide the structure for an effective national program to provide seamless, coordinated services to assist small- and medium-sized manufacturers through improved use of modern manufacturing and production technologies. Comprising the core of the U.S. manufacturing base, the Nation's 350,000 manufacturing firms that employ fewer than 500 people have been lagging behind the international competition in the adoption of productivity -- and quality -- enhancing equipment, production methods, and practices. These are the key customers who will receive manufacturing assistance from this national extension partnership. This increase would accelerate the growth begun in FY 1994 and is essential to achieving the Administration's goal of having NIST establish a nationwide network of over 100 centers by 1997. The program will build on existing NIST centers and more than 20 new centers NIST is managing through the Technology Reinvestment Project.

0 **Quality.** NIST requests 13 positions and \$4,000,000 to capitalize on the industrial success of the Baldrige Award by expanding the award eligibility categories to include education and health care. This increase would encourage and help large numbers of organizations in the health care and education sectors to take advantage of quality management and improvement strategies that have proven to yield striking success among businesses. The driving force behind this proposal is the clear national need to make better use of our education and health care resources in order to improve U.S. industry's competitiveness.

Scientific and Technical Research and Services program changes totaling 173 positions and \$88,004,000 represent a 39 percent increase over the FY 1994 appropriated level for laboratory research and development. NIST programs will build on existing strengths to help industry develop crucial infrastructural technologies. In cooperation with industry, new technologies, methods, standards, and measurements will be developed. These investment increases are part of the plan to double the funding for industry-oriented R&D work carried out by NIST labs over the next four years. Cost benefit analysis of NIST's laboratory programs shows extraordinarily high return on each investment dollar. The FY 1995 increment will substantially increase the research and development effort in technologies key to U.S. industry's success.

0 **Advanced Manufacturing.** NIST requests 21 positions and \$18,000,000 to assist U.S. industry in the development of the necessary technology, standards, and procedures to support a competitive manufacturing base vital to the Nation's health. NIST will focus on precision manufacturing, assembly, and inspection; integrated tools for product and process engineering and enterprise design; and advanced manufacturing technology infrastructure.

0 **Biotechnology.** NIST requests 7 positions and \$4,250,000 to develop biotechnology modeling and the measurement and data tools needed by U.S. industry to accelerate commercialization of bioproducts through improved product design, process optimization, and quality assurance for novel food products, environmental applications, human therapeutics, and sensor technology. This will maintain the U.S. competitive advantage in the rapidly expanding world market for biotechnology-related products, provide continued economic growth in a rapidly expanding sector of the economy, and lead to improved human health care and nutrition.

0 **Environmental Technologies.** NIST requests 7 positions and \$4,950,000 to advance the goals of sustainable development by working with U.S. industry to develop advanced technologies in measurement, process analytical techniques, and industrial processes. Through cooperative research agreements with industry and other Federal agencies, sorely needed reference materials and databases, and the associated advanced measurement technologies will be developed and implemented through transfer to the private sector. This will establish and maintain a U.S. leadership role in reducing pollution and preserving critical resources, decreasing energy consumption--as well as enhancing international competitiveness, and securing more jobs and a safer environment.

0 **Advanced Materials and Processing.** NIST requests 29 positions and \$16,800,000 to assist U.S. industry in developing and maintaining leadership through research and standards in advanced materials and advanced processing techniques for producing these materials. NIST will play a major role, as the government laboratory participating with industry, in bridging the gap

between bench scale conception and commercial utilization of advanced materials and advanced processing technologies. NIST will emphasize technical issues related to design, synthesis, processing, performance, and measurement science of important materials. A unifying aim is to acquire the knowledge and tools needed for intelligent manufacturing methods with real-time automated process controls.

- o **National Information Infrastructure.** NIST requests 83 positions and \$38,304,000 to accelerate the development and deployment of high performance computing and networking technologies required for the National Information Infrastructure that will be the broad foundation for many new applications in education, libraries, manufacturing, and health care and to apply and test these technologies in a manufacturing environment. Specifically, NIST will expand and integrate programs in computer performance measurement, communications protocols, advanced software, electronics, advanced manufacturing applications R&D, and the development of the National Research and Education Network (NREN). As a part of this initiative, NIST is establishing a center emphasizing semiconductor metrology methods needed to realize goals set in the Semiconductor Industry Association's technology "road map."
- o **International Trade, Standardization, and Measurement Services.** NIST requests 14 positions and \$4,700,000 to open and expand foreign markets, increase U.S. exports, and enhance technological development and commercialization in the U.S. through a coordinated and comprehensive measurement services, information, and standards program. NIST measurement and standards experts will work closely with the members of the U.S. and Foreign Commercial Service, with the U.S. Science Counselors, and with U.S. Business Councils, U.S. Chambers of Commerce, and organizations of the host governments in key foreign posts to influence the adoption of U.S. technology into the measurement systems of our trading partners and into the international standards process.

- o **Math and Science Postdoctoral Fellowships.** NIST requests 12 positions and \$1,000,000 to increase the number of National Research Council (NRC) Postdoctoral Associateships to parallel increases in the NIST laboratory programs to enhance technology development and commercialization. This program provides a select group of young scientists and engineers an opportunity to pursue state-of-the-art research related to NIST's industry-oriented mission and provides NIST an effective method for identifying and retaining high quality scientists and engineers. Many of these postdoctoral associates are subsequently hired by NIST; others carry the knowledge and skills acquired at NIST to the Nation's industries, universities, and other Government agencies.

Construction of Research Facilities

- o **Facilities Technical Obsolescence.** NIST requests \$32,922,000, which is a resumption of planned funding to get the project back on track. At a total cost of \$540,000,000, NIST plans to construct two new Advanced Technology Laboratories (ATL), as well as renovate some existing laboratories. The ATLs will provide state-of-the-art laboratory space which will provide NIST the ability to support development of the most advanced U.S. products. The renovations will improve operating efficiency of existing facilities which provide the vast majority of NIST laboratory space.

In FY 1995, NIST also proposes to move \$5,000,000 base funds from the Construction and major renovations line item to the Modifications and improvements line item to address safety and capacity retrofit projects, increasing this line item to \$10,000,000. This amount will grow to \$58,400,000 by FY 1999. The impact of this would be to extend the completion of the renovation plan.

Summary of Performance and Resources

Performance: Underlying all of NIST's work is one common theme: a focus on industry's needs supported by many, many interwoven links to companies. NIST has an extensive evaluation system—unparalleled in the Federal technology system—that provides for regular, detailed oversight and guidance of NIST programs by senior industry leaders. This oversight is one crucial element in a management strategy that ensures maximum effectiveness for its customers by incorporating performance measures into the design and operation of its programs. Priorities are set and results are measured on the basis of benefits realized by U.S. industry, the agency's primary customer, and as manifested through changes in the competitive position of the national economy.

NIST has developed a formal evaluation methodology and is tracking results of the ATP. Ultimate measures of ATP's impact will not be clear for several years since the program by design invests in longer-term technologies still in early stages of development. But the early signs of success are encouraging. ATP funding is already shortening the time to market for its recipients. The program has begun to help some Defense contractors to apply their products to commercial markets.

Some indicators of success:

- 0 According to a recent survey of initial ATP grant recipients, funding provided by the program enabled a number of companies to pursue research they otherwise would not have been able to do. Typical comments included, "We would not have been able to do this kind of work at all [without the ATP]." ... "and [the ATP] enabled us to keep a highly specialized and trained team together over a long period of time to pursue a technology."
- 0 Sixty-nine percent of respondents to the survey reported a significant shortening of the R&D cycle over the first year of their funding.
- 0 All of the single-company award recipients and most of the joint venture participants cited the credibility the company and the technology gained by receiving an ATP award. Smaller companies emphasized that this assisted them in attracting external funding; larger companies found that they received increased support from internal management for the project.
- 0 More than 60 percent of all successful single applicants in the first four competitions are small businesses. In addition, many more small businesses are subcontractors to the participating organizations. These companies have indicated that ATP funding is critical to their pursuit of the proposed technologies.

NIST's early experience through the MEP's Manufacturing Technology Centers and State Technology Extension Program offers the most comprehensive base of activities to build upon as the Nation gets serious about manufacturing extension. The MEP is off to a solid start. The seven operating centers and each new MEP organization as it comes on line are required to submit detailed, standardized quarterly and annual reports, pass an annual performance review performed by MEP regional managers, and undergo a rigorous third year evaluation performed by an outside panel appointed by NIST. Though necessarily small in scope because of the limited scale of manufacturing extension efforts undertaken thus far, the results of analyses—supplemented by case studies and other anecdotal evidence—illustrate the large potential for significant economic and company benefits.

- o Cumulatively valued and based on self-reported data from MTC client firms, company-realized benefits from formal MTC technical assistance projects totaled an estimated \$320 million between 1989 and 1992, translating to a return of over \$7 on each Federal dollar invested in the centers.
- o MTCs are currently collecting data from firms they assisted in 1991. Results of client progress surveys of 28 firms assisted by the Great Lakes MTC are illustrative: a 22 percent reduction in manufacturing lead times and increases of 13 percent in sales, 47 percent in value of exports, 6 percent in employment, 17 percent in total payroll, and 46 percent in the use of computers or computer-controlled equipment by employees.

One revealing measure of performance and effectiveness of NIST's laboratory programs is industry's continuing—and growing—interest and involvement. This is measured by both formal agreements, such as CRADAs, and requests for assistance and services. NIST has excellent return business with leading U.S. companies and a greater demand for R&D and services than can be met with current resources. Detailed economic studies conducted for NIST by independent research groups have documented high rates of return for investments in NIST laboratory research.

The payoffs are convincing. Some examples include:

- o NIST developed measurement technologies resulting in more than 20 industry standards which established a solid basis for evaluating the technical performance of optical fibers. The social rate of return was estimated to exceed 400 percent, and one manufacturer has credited the standards with significantly expanding the size of the market for optical fibers. (A.N. Link, *Economic Impacts of NIST-Supported Standards for U.S. Optical Fiber Industry*, 1981-Present.)
- o U.S. semiconductor manufacturers attributed four percent of their productivity growth over a five-year period and annual savings of up to \$500 million to NIST research. (Charles River Associates, *Productivity Impacts of NBS R&D: A Case Study of NBS Semiconductor Technology Program*, 1981.)
- o More than 50 companies have sent researchers to work with Institute researchers at NIST's Automated Manufacturing Research Facility, and more than 20 products and subsystems developed at the AMRF have been commercialized. (NIST Interactions with U.S. Industry.)

- o A NIST-developed method for measuring light reflection produces savings of about \$500 million per year for large segments of the U.S. medical, agricultural, food processing, paper, plastics, and building materials industries. (Visiting Committee on Advanced Technology of the National Institute of Standards and Technology, *Technology for U.S. Industry, A Review of NIST Support of Industry in Science, Engineering and Technology Transfer*, January 1990.)
 - o NIST-developed smoke detector performance requirements, installation guidelines, and subsequent studies have helped U.S. manufacturers acquire a 50-percent share of the world market. (Visiting Committee on Advanced Technology of the National Institute of Standards and Technology, *Technology for U.S. Industry, A Review of NIST Support of Industry in Science, Engineering and Technology Transfer*, January 1990.)
- The results of the Quality program are striking. For instance, more than one million copies of the award criteria, which double as quality improvement guidelines, have been requested and distributed. They are being reproduced and used widely by companies and other organizations to drive quality improvement in all sectors of the economy. Some other measures of the program's progress to date include:
- o A 1991 report from the General Accounting Office calls the Malcolm Baldrige National Quality Award criteria "the most widely used accepted formal definition of what constitutes a total quality management company." Based on a survey of firms using the criteria, the report concludes that "In nearly all cases, companies that used total quality management practices achieved better employee relations, higher productivity, greater customer satisfaction, increased market share, and improved profitability."
 - o More than 20,000 presentations have been made on quality improvement through the Baldrige Award approach--the vast majority by award winners or examiners from the private sector. The award criteria have been requested to help guide quality improvement in companies and other organizations.
 - o Nearly two dozen states and several other countries have established quality improvement awards based substantially on the Baldrige Award.

The Clinton Administration proposes that NIST receive a major infusion of new funds so that its portfolio of programs can make greater payoffs on their tremendous potential. Beyond the documented high return on investment provided by NIST laboratory programs, there now is also ample evidence that well-run Government R&D and extension programs, given the necessary resources, can reap tremendous societal benefits well in excess of their costs.

Resources: The following is a comparison of the FY 1994 appropriated level with the FY 1995 budget request and related data on employment.

	(Dollar amounts in thousands)					
	1994 Appropriation		1995 Estimate		Increase or (Decrease)	
	Permanent Positions	Amount	Permanent Positions	Amount	Permanent Positions	Amount
Industrial Technology Services	209	\$232,524	240	\$518,960	31	\$286,436
Scientific and Technical Research and Services	1,864	226,000	2,000	316,040	136	90,040
Construction of Research Facilities	5	61,686	10	100,000	5	38,314
TOTAL	2,078	520,210	2,250	935,000	172	414,790
						1,746

Reimbursable Program

NIST's reimbursable services consist of technical work performed for other Federal agencies, state and local governments, and the private sector. They include calibrations and special tests, advisory services, and the sale of Standard Reference Materials. The unique measurements and standards expertise developed with appropriated funding gives NIST the capability to perform these services on a reimbursable basis. NIST accepts other-agency work based on an established set of criteria which include (1) the need for traceability of measurements to national standards; (2) the need for work which cannot or will not be addressed by the private sector; (3) work supported by legislation that authorizes or mandates certain services; (4) work which would result in an unavoidable conflict of interest if carried out by the private sector or regulatory agencies; and (5) requests by the private sector for NIST action or services. In FY 1993, NIST's reimbursable program totaled \$142.6 million; the estimate for FY 1994 is \$233.3 and for FY 1995 is \$153.1 million.

Direct
Obligations
\$297,300

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	1993		1994		1995		1995		Increase/ (Decrease)	
	Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount
Adjustments to obligations:										
Prior year recoveries		•								
Unobligated balance, start of year		(203)								
Unobligated balance, end of year		(45,131)		(56,158)						
		56,158								
Financing from transfers:										
Transfers to other accounts (+)		0		1,290		60		1,710		1,650
Appropriation										
		86,067		232,524		233,684		518,960		285,276

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

	Perm. Pos.	FTE	Amount
<u>Other Changes:</u>			
1994 Locality pay raise	0	0	\$333
1995 Pay raise	0	0	114
Annualization of prior-year positions	0	9	0
Changes in compensable days	0	0	(38)
Within-grade step increases	0	0	80
Civil Service Retirement System (CSRS)	0	0	(10)
Federal Employees Retirement System (FERS)	0	0	19
Thrift Savings Plan	0	0	3
Federal Insurance Contributions Act (FICA) - OASDI	0	0	6
Health Insurance	0	0	34
Employees' Compensation Fund	0	0	(4)
Travel: Per diem	0	0	30
Transportation of things	0	0	11
Communications, utilities, and miscellaneous charges:			
Rental of equipment	0	0	12
Utilities	0	0	34
Printing and reproduction	0	0	13
Other services:			
Audit Costs	0	0	40
Working Capital Fund	0	0	5
Other services	0	0	408
Supplies and materials	0	0	45
Equipment	0	0	25
Subtotal, other changes	0	9	1,160
Total, adjustments to base	0	9	1,160

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Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
JUSTIFICATION OF ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

ETE Amount

Other Changes:
1994 Locality pay raise 0 \$333

A locality pay raise was implemented in January 1994.

Total cost in 1995 of 1994 locality pay raise	330,000
Less amount funded in 1994	0
Less amount absorbed	<u>0</u>
Amount requested in 1995 to provide full-year cost of 1994 locality pay raise	330,000
Payment to Working Capital Fund	<u>3,000</u>
Total adjustment for 1994 locality pay raise	333,000

1995 Pay increase and related costs 0 114

A general pay raise of 1.6 percent is assumed to be effective January 1, 1995.

Total cost in FY 1995 of pay increase	113,000
Less amount absorbed in FY 1995	<u>0</u>
Amount requested for FY 1995 pay increase	113,000
Payment to Working Capital Fund	<u>1,000</u>
Total adjustment for FY 1995 pay increase	114,000

Annualization of prior-year positions 9 0

NIST requires an additional 9 FTEs to staff FY 1994 Congressional increases at their full operating level in FY 1995.

Changes in compensable days 0 (38)

The cost of one less compensable day in FY 1995 was calculated by dividing the FY 1994 estimate for personnel compensation and benefits by 261 compensable days.

Within-grade step increases 0 80

An increase of \$80,000 is required to cover the cost of within-grade step increases. This estimate reflects the net cost of step increases, including merit pay increases, which will be earned in FY 1995.

Estimated number of within-grade step increases	1,659
Step increases not earned due to turnover (12.6% x 1,659)	209
Average step above step 1 per separation	3
Average cost per within-grade step increase	1,341
Gross cost of scheduled step increases (\$1,341 x 1,659)	2,224,719
Less savings due to separations (\$1,341 x 209 x 3)	(840,807)
Subtotal, personnel compensation	1,383,912
ITS share (5%)	69,196
Benefits	10,394
Total adjustment to base	79,590

Personnel benefits 0 48

Civil Service Retirement System (CSRS)	(10,000)
Federal Employees Retirement System (FERS)	19,000
Thrift Savings Plan	3,000
Federal Insurance Contribution Act (FICA) - OASDI	6,000
Health Insurance	34,000
Employees' Compensation Fund	(4,000)

Civil Service Retirement System (-\$10,000) - The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 55.3 percent in FY 1994 to 53.5 percent in FY 1995. Contribution rates will remain the same.

Payroll subject to retirement systems (\$8,075,500)	
Cost of CSRS contributions in FY 1995 (\$8,075,500 x .535 x .07)	302,427
Cost of CSRS contributions in FY 1994 (\$8,075,500 x .553 x .07)	312,603
Total adjustment to base	(10,176)

Federal Employees Retirement System (\$19,000) - The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 44.7 percent in FY 1994 to 46.5 percent in FY 1995. The contribution rate will remain the same.

Payroll subject to retirement systems (\$8,075,500)	
Basic benefit cost in FY 1995 (\$8,075,500 x .465 x .129)	484,409
Basic benefit cost in FY 1994 (\$8,075,500 x .447 x .129)	465,658
Total adjustment to base	18,751

Thrift Savings Plan (\$3,000) - The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain 2 percent.

Thrift plan cost in FY 1995 (\$8,075,500 x .465 x .02)	75,102
Thrift plan cost in FY 1994 (\$8,075,500 x .447 x .02)	72,195
Total adjustment to base	2,907

Federal Insurance Contributions Act (FICA) - OASDI (\$6,000) - As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will rise from \$60,150 in FY 1994 to \$61,050 in FY 1995. The OASDI tax rate will remain 6.2 percent in FY 1995.

FERS payroll subject to FICA tax in 1995 (\$8,075,500 x .465 x .9360 x .062)	217,916
FERS payroll subject to FICA tax in 1994 (\$8,075,500 x .447 x .9470 x .062)	211,943
Increase (FY 1994-FY 1995)	5,973

OTP payroll subject to FICA tax in FY 1995 ($\$169,500 \times .9360 \times .062$)	9,836
OTP payroll subject to FICA tax in FY 1994 ($\$169,500 \times .9470 \times .062$)	9,952
Change (FY 1994-FY 1995)	(116)
Total OASDI increase	5,857

Health insurance (\$34,000) - Effective January 1993 NIST's contribution to Federal employees' health insurance premiums increased by \$719,000. The ITS share of this increase is \$34,000. The total increase was computed based on employee participation in the various health benefit plans and the associated increases.

Employees' Compensation Fund (-\$4,000) - The Employees' Compensation Fund bill for the year ending June 30, 1993 is \$78,000 lower than the bill for the year ending June 30, 1992. The ITS share of this decrease is \$4,000.

Travel: per diem	0	30
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Effective January 1993 the General Services Administration raised per diem rates. This increase results in a 6.2 percent increase to NIST. This percentage was applied to the FY 1994 ITS estimate of \$479,000 to arrive at an increase of \$29,698.

Transportation of things	0	11
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The cost of transporting such things as household goods, scientific instruments, and hazardous materials increased during the past year. The \$11,000 increase was calculated by applying the 2.8 percent GDP price deflator to the FY 1994 estimate of \$396,000.

Communications, utilities, and miscellaneous charges	0	46
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Rental of equipment	12,000
Utilities	34,000

Rental of equipment (\$12,000) - An increase of \$12,000 for rental of equipment was calculated by applying the actual 10 percent increase to the FY 1994 estimate of \$119,000 for office copying equipment.

Utilities (\$34,000) - This adjustment to base is required to pay the additional cost of natural gas, water/sewer, and refuse disposal, arising from rate increases in FY 1993. The ITS share of this increase is \$34,000.

Printing and reproduction	0	13
GPO has provided an estimated rate increase of 3.0 percent. This percentage was applied to the FY 1994 estimate of \$417,000 to arrive at an increase of \$12,510.		
Other services	0	457

Increases in costs for recurring contractual support services have been experienced. This is due principally to increases in salary costs for the services performed, increases in costs for materials and supplies, increases in costs of computer support, increases for equipment maintenance, and increases to cover the cost of auditing financial statements, as required by the CFO Act. A detail by service follows:

Services	FY 1994 Budget	Revised Estimate	Increase In Cost
Audit Costs*	0	40	40
Advances and reimbursements	36	42	6
Working Capital Fund (GA)	2	7	5
Periodicals	57	62	5
Training	35	38	3
ADP services	71	78	7
Maintenance of equipment	122	132	10
Patents	18	21	3
Other support services	<u>15,694</u>	<u>16,068</u>	<u>374</u>
Total other services increase	16,035	16,488	453

*Audit Costs (\$40,000) - An increase of \$40,000 is required to cover the cost of auditing financial statements, as required by the CFO Act.

Supplies and materials	0	45
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The \$45,000 increase was calculated by applying the GDP price deflator of 2.8 percent to the FY 1994 estimate of \$1,612,000 for laboratory and office supplies and scientific publications and journals.

Equipment	0	25
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Equipment depreciation	5,000
Office-ADP-Other equipment	19,000
Library Books	1,000

Equipment depreciation (\$5,000) - An increase of \$5,000 is required to offset the effects of inflation. The increase was based on applying the GDP price deflator of 2.8 percent to the FY 1994 ITS estimate of \$174,000 for equipment depreciation. The additional appropriated funds will be allocated to the NIST operating units to finance depreciation charges paid to the NIST Working Capital Fund.

Office-ADP-Other equipment (\$19,000) - The \$19,000 increase was calculated by applying the 2.8 percent GDP price deflator to the FY 1994 estimate for office machines, ADP, and other special equipment.

Library books (\$1,000) - The NIST Research Information Center is an important research tool used by the NIST scientific and technical staff, and it is essential that the research books available at the site are kept current. Based on cost increases between 1992 and 1993, the required increase for library books in FY 1993 is \$20,980. The ITS share is \$1,049.

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Extramural programs
Subactivity: Advanced technology program

<u>Line Item</u>	1993		1994		1995		1995		Increase/ (Decrease) over 1995 Base	
	Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount
Advanced technology program	105	\$67,880	151	\$199,489	151	\$200,389	148	\$451,000	(3)	\$250,611
	111	61,024	153	247,561	159	200,389	156	449,800	(3)	249,411

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Extramural programs
Subactivity: Advanced technology program

Line Item	1993		1994		1995		1995		Increase/ (Decrease) Over 1995 Base	
	Per - sonnel	Amount	Per - sonnel	Amount	Per - sonnel	Amount	Per - sonnel	Amount	Per - sonnel	Amount
Advanced technology program										
WCF transfers	0	0	0	\$1,170	0	0	0	\$1,200	0	\$1,200
Reimbursable FTE/Obl	0	\$78	0	100	0	\$25	0	25	0	0
Total	0	78	0	1,270	0	25	0	1,225	0	1,200

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
ADVANCED TECHNOLOGY PROGRAM

Goal Statement

The goal of this subactivity is to enhance the competitiveness of American industry by partnering with industry to provide appropriate support for development of technologies and diffusing technological advances to users in all segments of the American economy. This supports the DoC goal of enhancing technological development and commercialization.

Base Program

The Advanced Technology Program (ATP) provides financial assistance combined with opportunities for cooperating with NIST to develop or transfer technologies that can improve U.S. manufacturing capabilities at all stages of technological development. The ATP is the focus of a national effort to help accelerate the commercialization of broad-based, high-risk technologies which promise substantial commercial application. The ATP provides incentives for companies to form consortia in their development efforts.

Advanced Technology Program (ATP) - The ATP is a cost-shared, partnership program which provides financing to U.S. businesses and joint R&D ventures to assist them in improving their competitive position. To be funded, projects must involve high-risk technologies that have substantial potential benefits to the United States. In a broad sense, the program's goal is to help bridge the gap between more fundamental R&D (where the U.S. excels) and commercially applied R&D, where many believe the U.S. lags. The program is open to all areas of advanced technology through awards made as a result of general competitions. Beginning in FY 1994, the ATP will also begin to hold program competitions that have well-defined technology and economic goals chosen through consultation with industry. As of November 1993, 89 projects have been funded (including 23 joint ventures). These projects commit over \$240 million in federal funds and over \$260 million in private sector funds over their lifetime. The FY 1994 budget increase will allow the ATP to begin approximately 80 new starts in FY 1994.

Technology areas include:

0	Machine Tools	0	Automated Manufacturing and Robotics
0	Image Recognition and Processing	0	Motor Vehicle Assembly
0	Semiconductor Processing	0	Plastic Recycling
0	Superconductors	0	Genetic and Tissue Engineering
0	Flat Panel Display Manufacturing	0	Energy Conservation and Distribution
0	Lasers and Electro-optics	0	X-Ray Lithography and Optics
0	High Performance Computers	0	Printed Wiring Boards
0	Optical and Magnetic Data Storage	0	Optical Communication
0	Ceramics, Composites, and Polymers	0	Illumination

The target population includes technologically advanced U.S. businesses able to carry out the development of new and emerging technologies with the potential to affect the economy significantly. Universities, federal laboratories (other than NIST), and independent research institutes may receive funding through business or joint venture recipients. Joint ventures are encouraged to include small businesses.

The ATP is fast becoming one of the Nation's key programs intended to accelerate the pace of commercial technology development. The potential underlying benefit of the program will be to stimulate long-term industrial investment, on a shared risk basis, in developing technology of potential benefit to many U.S. industries.

The FY 1995 base program operating objectives include the following:

- 0 provide approximately \$200 million to continue multi-year grants selected in previous years and to expand the program by holding additional general and program-specific competitions. Of the total requested, an assessment of two percent of the base will be directed to the Department of Commerce Small Business Innovation Research program, in compliance with the Small Business Innovation Development Act of 1982, Public Law 97-219 as amended.

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
INCREASE FOR FY 1995
(Dollar amounts in thousands)

Advanced technology program (ATP)	Pos./BA FTE/Obl.	1995 Estimate		Increase/(Decrease) Over 1995 Base	
		Personnel	Amount	Personnel	Amount
		0	\$250,800	0	\$250,800
		0	249,600	0	249,600

Advanced technology program (ATP) expansion (BA + \$250,800,000, Direct Obligations + \$249,600,000, Transfer to WCF + \$1,200,000) This request will enable NIST to expand its extramural efforts by supporting cost-shared partnerships that are critical to long-term U.S. economic growth and industrial productivity. This increase would support the outyears for all active multi-year projects and initiate six to ten new program competitions that would result in the funding of approximately 200 new projects.

Problem Magnitude and Scope:

Both the Congress and the Administration are concerned that the competitiveness of U.S. technology-intensive industrial sectors is lagging and the high-wage-job potential associated with those sectors is not being fully realized. Although the United States continues to be a world leader in basic research, it is less successful in commercializing new technology quickly and efficiently than many of our trading partners. U.S. companies in fields such as semiconductor materials, devices, and manufacturing equipment; machine tools; robotics; high-definition imaging and displays; and lasers have been losing significant market share to aggressive overseas competition. Aversion to technical risk, concerns over time-to-market, and difficulties of private companies in capturing fully the return on investment in generic technologies have resulted in underinvestment by the private sector in areas essential to the long-run economic health of the country.

To address this problem, the Administration has developed an economic plan described in the document, *A Vision of Change for America*, issued in February 1993. The Economic Plan proposes a number of new initiatives to improve the competitiveness and productivity of U.S. companies and assist those companies to accelerate the development and commercialization of new technologies. One of the proposed initiatives is to increase the Advanced Technology Program (ATP) budget over a five year period to a level of about \$750 million by the end of FY 1997. An expanded ATP would increase Government's partnership with industry to raise the level of investment in new technologies with substantial commercial

potential but which otherwise may not be commercially exploited in the U.S. This strategy is supported by recent evidence suggesting that Government-industry partnerships can have a positive impact. For example, the sharp decline in U.S. market share for semiconductor components appears to be turning around, due in part to the SEMATECH consortium.

Why NIST:

The Omnibus Trade and Competitiveness Act of 1988 (P.L. 100-418), as amended by P.L. 102-245, established the Advanced Technology Program and assigned responsibility for it to the National Institute of Standards and Technology. NIST, with its close ties to industry, its leadership in advanced technology, and its strong and very broad-based intramural laboratory programs, is uniquely qualified to administer the ATP. This request is for expansion of the existing ATP, codified in Title 15 of the Code of Federal Regulations, Part 295. The Administration's February 1993 Economic Plan entitled *A Vision of Change for America* and the technology policy directive entitled *Technology for America's Economic Growth, A New Direction to Build Economic Strength* both recognize the need to accelerate the development of new technologies for economic growth and both call for an expansion of the role of the ATP and NIST in assisting the private sector to develop technologies.

Description of the Proposed NIST Technical Program:

The ATP helps U.S. industry reap the rewards of the U.S. science and technology base by supporting cost-shared partnerships that are beyond the scope of individual firms and that are critical to long-term U.S. economic growth and industrial productivity. The ATP directly funds individual companies and joint ventures. Universities, Federal laboratories, and independent research institutes may receive funding through these partnerships. A rigorous and fair competitive process—with NIST and other agency scientists and engineers evaluating the technical merit of proposals and with private-sector business experts participating in the evaluation of the business merit of proposals—is used to select recipients for funding. Accordingly, the program's impact potentially reaches all technology-based industry sectors in the U.S.

Innovative techniques for overcoming present technical barriers are likely to result from this initiative in areas such as biotechnology, advanced materials, chemicals, semiconductors, superconductors, electro-optic devices, advanced computing, flexible computer integrated manufacturing, intelligent processing equipment, and systems management technologies. Commercialization is expected to bring new-to-the-world processes and products, as well as revolutionary improvements in existing processes and products. Development and commercialization of such technologies is likely to affect a broad range of major industries such as electronics, automobiles, aerospace, health care, energy, computers, telecommunications, agriculture, chemicals, and many others.

During its brief existence, the ATP has established a reputation as a well-managed program with an excellent potential for economic impact, but its funding to date has allowed it to tap only a small fraction of proposals submitted. In its first four competitions, the ATP supported only 89 projects out of 912 proposals submitted—a very low percentage compared to many other Federal programs that fund extramural research. The initial 89 projects represent an estimated \$515 million of R&D over their lifetime, approximately \$247 million of which has been committed by the ATP and \$268 million by the companies. While the 89 projects represent a broad spectrum of important technologies, there has not been sufficient funding to cover any technology area in depth.

The requested FY 1995 increase will ensure that the ATP will have sufficient funds to (1) support the outyears for all active multi-year projects (approximately 150) initiated prior to the beginning of FY 1995, and (2) support six to ten competitions during FY 1995 resulting in approximately 200 new awards.

By the end of FY 1995, the ATP would be funding approximately 350 active projects. The resulting rapid growth in projects funded is consistent with the objectives of the Administration's economic plan, and it is in sharp contrast to the low-level funding of the program prior to FY 1994, which permitted only 89 projects to be started during a four year period.

Growth in the program will entail higher expenses for industry outreach, publications, information dissemination, proposal review, legal and procurement services, technical and business expert consulting services, and project management. For example, the large number of active projects will require a dedicated legal and contracts support staff to process the new awards and the many yearly renewals of cooperative agreements. Additional scientists, engineers, economists, and business specialists will also be needed to manage the larger number of projects.

Economic Impacts:

Early results indicate that the ATP is successfully improving the ability of the Nation's businesses to capture economic returns from scientific and technological innovations. Two independent studies of projects funded in FY 1991 revealed substantial, early beneficial impacts, including the following: (1) expanded R&D activity, particularly the ability to engage in high-risk, long-term research with high payoff potential, (2) gains in research efficiency, including cost and time savings, improved productivity, and other benefits from industry-industry, industry-Government, and industry-university collaborations, (3) creation and retention of high-wage jobs, (4) improved competitive standing, (5) formation of valuable strategic business alliances, (6) assistance in converting from defense to commercial applications, and (7) acceleration of technology development. Examples of early impacts include the following: of 26 companies participating in the first-funded projects, 65 percent reported new job creation and 35 percent reported retention of jobs that would have been lost without the ATP award, and 69 percent reported time savings. All of the single applicants and more than half the joint-venture members credited their ATP award as enhancing the credibility of the organization and the technology in valuable ways, and there was considerable enthusiasm for the benefits of collaboration and strategic alliances.

Costs and Benefits:

With an increase in funding of \$251 million to a total of about \$451 million in FY 1995, the ATP will begin to provide substantial near-term and long-term benefits to U.S. industry and to the economy. In the near term, the total number of projects supported would be quadrupled from 89 to about 350. The increased funding will have an immediate stimulus effect as it passes directly to the private sector for R&D investment. Using National Science Foundation statistics that show an average of about 11 scientists/engineers hired for every \$1 million of industry R&D investment and taking into account the leveraging effect of ATP funding, an immediate employment effect will be the hire or retention of as many as 10,000 scientists, engineers, and technicians. In addition to the quick expansion of high-wage R&D jobs, the project funding will also immediately increase the demand for equipment and facilities. In the longer term—but beginning almost immediately—the number of projects completing their R&D phase and moving into the commercialization phase will swell. By adding approximately 200 new projects to the 150

projects continuing from past competitions, the FY 1995 budget will more than double the number of projects in the pipeline. Employment, income, and other benefits of the program will expand dramatically as the resulting new and improved products and processes move into the marketplace and the attendant production and distribution activities are carried out. Long-run benefits are expected to exceed program costs many times over. Early results from an ATP-funded joint venture, for example, show the entire cost to ATP over five years to be more than offset by cost-savings from collaborative research alone realized over the first two years of the project. For one of the small companies, early results indicate impressive progress toward capturing a commanding share of the global market for its product, an achievement attributed by the company to the one to two year acceleration to market and enhanced credibility afforded by the ATP funding. The potential benefits from the company's favorable global-market position totally dwarf the ATP project costs. In fact, a single "home run" out of the total projects funded has the potential to generate sufficient benefits to offset the entire costs of the ATP many times over.

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Advanced technology program
Subactivity: Advanced technology program
Program Change: Advanced technology program

Object Class	1995 Increase/ (Decrease) Obligations	1995 Increase/ (Decrease) Budget Authority
11 Personnel compensation	0	0
11.1 Full-time permanent	0	0
11.9 Total personnel compensation	0	0
12.1 Civilian personnel benefits	\$400	\$400
21 Travel and transportation of persons	0	0
22 Transportation of things	40	40
23.3 Communications, utilities and miscellaneous charges	20	20
24 Printing and reproduction	0	0
25.1 Consulting services	9,940	9,940
25.2 Other services	0	0
25.3 Purchases of goods and services from Government accounts	0	0
25.5 Research and development contracts	620	620
26 Supplies and materials	280	280
31 Equipment	0	0
32 Land and structures	238,300	238,300
41 Grants, subsidies and contributions	249,600	249,600
99 Direct obligations	1,200	1,200
Transfer to NIST Working Capital Fund	250,800	250,800
Total increase requested		

Quantitative Performance Measures
(Base)

	<u>FY 1994¹</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
o Number of competitions completed	4	4	1	0	0	1
o Number of new project starts during year	80	80	20	0	0	20
o Number of projects continuing from previous year	88	160	210	210	170	90
o Amount of cost-sharing (current year costs), \$M	70	170	280	310	150	40
o Cumulative amount of industry cost sharing to date, \$M	180	350	630	940	1,090	1,130
o Funding levels, \$M	200	200	200	200	200	200
o Number of participants	290	410	370	360	290	190
o Number of R&D projects completed during the year	10	30	20	40	80	80
o Number of technologies under commercialization	20	60	90	150	170	200
o Number of projects funded (cumulative)	169	249	269	269	269	289

¹Changes between FY 1994 and FY 1995 do not reflect the anticipated FY 1995 initiative funding.

Quantitative Performance Measures
(Total Program)

	<u>FY 1994¹</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
o Number of competitions completed	4	7	6	5	2-3	2-3
o Number of new project starts during year	80	230	200	80	60	70
o Number of projects continuing from previous year	88	160	360	550	590	570
o Amount of cost-sharing (current year costs), \$M	70	170	500	760	750	500
o Cumulative amount of industry cost sharing to date, \$M	180	350	850	1,610	2,360	2,860
o Funding levels, \$M	200	451	543	744	747	762
o Number of participants	290	660	950	1,070	1,100	1,090
o Number of R&D projects completed during the year	10	25	15	35	80	230
o Number of technologies under commercialization	20	50	100	150	200	250
o Number of projects funded (cumulative)	169	400	600	680	740	810

¹Changes between FY 1994 and FY 1995 reflect anticipated FY 1995 initiative funding.

Advanced Technology Program
 REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
 (Dollar amounts in thousands)

	1993 Actual	1994 <u>Estimate</u>	1995 <u>Estimate</u>
Other Agency Funding:			
Department of Defense		\$100	
Other	\$78		\$25
	78	100	25
Total, Reimbursable Program			

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Extramural programs
Subactivity: Technology transfer and outreach

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) over 1995 Base	
	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount
Manufacturing extension partnership	14	\$16,907	35	\$30,235	35	\$30,400	56	\$61,065	21	\$30,665
	15	13,004	38	37,091	40	30,400	56	60,765	16	30,365
State technology extension program	2	1,280	0	0	0	0	0	0	0	0
	2	1,215	0	0	0	0	0	0	0	0
Quality program	0	0	23	2,800	23	2,895	36	6,895	13	4,000
	0	0	21	2,740	22	2,835	32	6,685	10	3,850
Total	16	18,187	58	33,035	58	33,295	92	67,960	34	34,665
	17	14,219	59	39,831	62	33,235	88	67,450	26	34,215

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund

PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Extramural programs
Subjectivity: Technology transfer and outreach

Line Item	1993 Actual			1994 Currently Available			1995 Base			1995 Estimate			Increase/ (Decrease) Over 1995 Base	
	Per-sonnel	Amount	0	Per-sonnel	Amount	0	Per-sonnel	Amount	0	Per-sonnel	Amount	0	Per-sonnel	Amount
Manufacturing expansion partnership														
WCF transfers	0	0	0	0	\$60	0	0	0	0	0	\$300	0	0	\$300
Reimbursable FTE/Obl	2	\$1,818	2	2	101,008	2	2	\$25,000	2	2	25,000	0	0	0
Total	2	1,818	2	2	101,068	2	2	25,000	2	2	25,300	0	0	300
Quality program														
WCF transfers	0	0	0	0	60	0	0	60	0	0	210	0	0	150
Reimbursable FTE/Obl	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	60	0	0	60	0	0	210	0	0	150
Total														
WCF transfers	0	0	0	0	120	0	0	60	0	0	510	0	0	450
Reimbursable FTE/Obl	2	1,818	2	2	101,008	2	2	25,000	2	2	25,000	0	0	0
Total	2	1,818	2	2	101,128	2	2	25,060	2	2	25,510	0	0	450

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
TECHNOLOGY TRANSFER AND OUTREACH

Goal Statement

The goal of this subactivity is to enhance the competitiveness of American industry by diffusing technological advances to users in all segments of the American economy and to emphasize a commitment to quality by U.S. businesses. These efforts support the DoC goal of enhancing technological development and commercialization.

Base Program

The programs in this subactivity, the Manufacturing Extension Partnership program and the Quality program, emphasize NIST's role in transferring developed technologies to small- and medium-sized business through Government-industry partnerships and extension services and by improving the competitiveness of all existing business.

The Manufacturing Extension Partnership (MEP) program provides financial assistance combined with opportunities for cooperating with NIST and other technology services to transfer technologies that can improve U.S. manufacturing capabilities at all stages of technological sophistication. The MEP program is an effort to advance the state of existing manufacturing by transferring Government developed and advanced commercial technologies by working directly with firms in a region on their technology-related problems.

The MEP works to improve American manufacturing competitiveness by advancing the level of manufacturing technology used in small- and medium-sized U.S. based firms. There are four outreach components: Manufacturing Technology Centers (MTC), Manufacturing Outreach Centers (MOC), the State Technology Extension Program (STEP), and a linking/network function (LINKS) which establishes the interconnections and common services which bring the separate organizations together into a national system.

0 Manufacturing Technology Centers (MTCs) are regionally based centers with strong, technically proficient organizations and an arsenal of technology transfer and management assistance resources. They are operated by nonprofit organizations which have strong local ties, have been selected in an open competition based on the strength of their proposals, and are located where there are concentrations of manufacturing enterprises. MTCs work to increase competitiveness by providing technology analysis, information and assistance, and access to management, financial, marketing, and training services.

- o Manufacturing Outreach Centers (MOCs) are intended to provide services in areas of lower manufacturing concentration (as free-standing centers) or to extend the effective reach of MTCs (as satellites to an MTC). Typically, they are run by established institutions: technical colleges, state technology extension services, and other nonprofit technology transfer organizations. MOCs and MTCs will be the principal entry points for the companies served by the MEP.
- o State Technology Extension Program (STEP) provides matching grants and technical assistance to states which are building or strengthening their industrial extension infrastructure. The state programs which are built with STEP assistance provide a strong foundation for development of MTCs and MOCs in the state. STEP funds planning grants for states and follow-up support for implementation. In addition, the STEP program develops tools that state programs can use to provide services to their client firms. The STEP program has played a key role in establishing links between state-level technology transfer activities and technology sources at the Federal level.
- o LINKS is a system of linkages which provides the communications and data systems to tie together all Federal, state, and local outreach centers and gives them access to technology sources. LINKS also provides for nationwide training for extension agents and for intensive assessment of the performance of technical assistance providers. LINKS is essential to providing the "national network of manufacturing extension centers" called for by the President. MEP is not hierarchically-organized, and it is not exclusive. Its strength is based on linking a widely-diverse and evolving collection of entities, some of which are funded and directly assisted by NIST and others which originate locally or with other Federal or state agencies. It is built on state and local understanding of the needs of the manufacturers and on the creative energy of the individual organizations that make up the network.

The FY 1995 base program operating objectives for the MEP include the following:

- o Develop technology transfer tools which strengthen the activities of the MTCs and MOCs and minimize redundant development at individual sites.
- o Form linkages with each Cabinet-level Government agency for the purpose of coordinating programs.
- o Conduct the required reviews of MTCs.
- o Build a seamless fabric for service delivery, integrating MTCs, MOCs, and state and local technology extension organizations.

The Quality Program (created by P.L. 100-107 in August 1987) has as its foundation the Malcolm Baldrige National Quality Award. It has become the principal national program which has as its sole purpose to strengthen America's competitiveness. The Award program is a unique public-private partnership which has received contributions and substantive assistance from thousands of organizations. The Foundation for the Malcolm Baldrige National Quality Award raised about \$11 million to support the Award. Contributions and participants have combined annual sales (or budgets) exceeding \$3 trillion. Of the activities carried out by the Award Program or in its name, approximately 90 percent represent private sector contributions.

The Award program's design and operational strategy has been two-fold (1) to create a new kind of quality excellence standard that fosters communications and sharing among organizations of all types--industry and business, schools, healthcare organizations, Government organizations, and others, and (2) to build networks and other key linkages to deliver quality management information and services locally.

NIST responsibilities under P.L. 100-107 are carried out by the Office of Quality Programs (OQP). During its first seven years, the main responsibility of the Office of Quality Programs has been to manage the Baldrige Award. During this time the Office has built key linkages with other organizations and provided limited quality outreach services.

The FY 1995 base program operating objectives for the Quality program include the following:

- o Conduct the annual Baldrige Award competition, including examiner selection, examiner training, application review and Award ceremony.
- o Conduct the Quest for Excellence Conference at which 1994 Baldrige Award winners share their quality management strategies.
- o Establish a comprehensive database on state and local quality awards and their similarities or differences from the Baldrige Award Criteria.

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount
Manufacturing extension partnership (MEP)	21	\$30,665	21	\$30,665
Pos./BA FTE/Obi.	16	30,365	16	30,365

Manufacturing Extension Partnership (+21 Permanent positions, BA +\$30,665,000, Direct Obligations +\$30,365,000, Transfer to WCF +\$300,000) - The Manufacturing Extension Partnership (MEP) provides the structure for an effective national program to facilitate the utilization of advanced technology, promote entrepreneurship and industrial innovation, and reduce barriers to commercialization of technology for America's small- and medium-sized manufacturers. This increase would accelerate the growth begun in FY 1994 and support the Administration's goal of having NIST establish over 100 centers by 1997.

Problem Magnitude and Scope:

America's small- and medium-sized manufacturing enterprises are the backbone of the U.S. industrial base, contributing roughly 50 percent of the total value-added to U.S. manufactured products. These businesses represent approximately 95 percent of all U.S. manufacturing establishments and account for over 75 percent of new manufacturing jobs. In the last few years, studies by GAO, the National Governor's Conference, and the Office of Technology Assessment have found that (1) individual small manufacturers are unable to understand and access new technological opportunities, (2) the skilled work force necessary to utilize advanced technologies must be trained, and (3) the limited availability of low-cost capital has inhibited small- and medium-sized manufacturing firms from adopting advanced manufacturing technologies and techniques. These factors have contributed to the erosion of the U.S. capital and durable goods supplier base and, consequently, to a declining U.S. industrial competitiveness overall. A National Governors' Association study¹⁷ concludes that direct contact with these companies through extension-like activities is crucial to overcoming the barriers of adopting advanced technology. This type of interaction is outside the

¹⁷"Increasing the Competitiveness of America's Manufacturers: A Review of State Industrial Extension Programs," National Governors' Association, Center for Policy Research, 1991.

realm of services which private consultants can reasonably be expected to provide. Current manufacturing extension activities have proven to be effective as agents of change in small- and medium-sized companies and in supporting technology-based advances in competitiveness. The scale of the present program is small, currently serving only a minimal number of target firms.

Why NIST:

Because of NIST's long history of working successfully with industrial firms and very strong and far-reaching technical programs in automated manufacturing, the Trade Act assigned to NIST the responsibility for the Regional Manufacturing Technology Centers (MTC) program, designed to provide an active vehicle for transferring advanced manufacturing technology to smaller firms. Over the years, NIST has proven itself to be a trustworthy, highly competent partner to U.S. manufacturing so that a sound platform exists for extended interactions with manufacturers.

In *A Vision of Change for America*, President Clinton has expanded that responsibility by calling for the establishment by NIST of "over 100 manufacturing extension centers nationwide by 1997 to assist manufacturers to modernize their production capability." This plan is reiterated in *Technology for America's Economic Growth, A New Direction to Build Economic Strength*, in which the President and Vice President call for the creation of a national network of manufacturing extension centers, the Manufacturing Extension Partnership (MEP) first described in the fiscal year 1994 budget. Commerce Secretary Brown has testified in support of approaches in current bills in both houses of Congress which define and implement a national network, based on Manufacturing Technology Centers (MTCs), the State Technology Extension Program (STEP), new Manufacturing Outreach Centers (MOCs), and a linking/networking function which establishes the interconnections and common services which bring the separate organizations together into a national system. NIST has been a major contributor to the interagency (Defense conversion) Technology Reinvestment Project (TRP) for technology deployment activities and the lead agency in managing funding to initiate the first major stage of growth of the nationwide manufacturing extension program by that means.

Many programs throughout the Federal Government are intended to strengthen the competitiveness of small- and medium-sized manufacturing firms. The MEP has established links with all of these programs in order to avoid duplication and improve the accessibility of Federal services to these firms. Examples of initial linkages include ties with the Department of Labor for work force training and with the Small Business Administration for loan guarantees to MTC client firms. NIST has agreements with Department of Energy Labs at Sandia and Y-12 at Oak Ridge and with Department of Defense Centers of Excellence for those facilities to serve as technology sources for the extension network. Other linkages have been developed with the Environmental Protection Agency, U.S. Air Force, and U.S. Navy for technology transfer. To date, more than 12 representatives from various agencies and professional societies have been located at NIST for varying periods of time to assist in developing coordinated approaches to service.

Description of the Proposed NIST Technical Program:

The Manufacturing Extension Partnership (MEP) builds on experience gained in the MTC and STEP programs and on the organizational foundation made possible by NIST participation in the Technology Reinvestment Project. It maximizes use of existing resources at the Federal, state, and local levels. By concentrating on coordination and infrastructure development on a cost-shared basis with the states, the MEP enhances

the overall impact and increases the cost-effectiveness of Federal technical assistance to small manufacturers. It provides a mechanism by which Federal agencies work to eliminate duplication and integrate the services they provide for small- and medium-sized firms into a truly coherent "one stop shopping" system.

This initiative (1) brings to 21 the number of MTCs under NIST management, including those which initially receive their funding from the Technology Reinvestment Project (TRP), (2) substantially increases the availability of focused STEP support for development of manufacturing extension programs in the states, (3) brings to 48 the total number of MOC-like extension centers under NIST management, including those funded from TRP, (4) provides for tight management relationships with extension activities funded through other Departments, (5) begins to build the linking and network functions needed to provide coherent, nationwide extension services to manufacturers, with focus on communications, data systems, training and assessment of service providers, and intensive evaluation of outcomes, and (6) provides funding for the establishment of alliances with Small Business Development Centers. Few, if any, TRP-funded extension centers will be shifted to DoC funding in FY 1995, however, NIST's MEP evaluation criteria will be used to manage these programs.

The strength of the MEP is its ability to link widely-diverse, evolving entities. The program is designed to coordinate and increase the efficiency and effectiveness of all Federal activities aimed at aiding small manufacturers to overcome the barriers to technology transfer and deployment.

Economic Impacts:

NIST considers it to be fundamentally important to intensively pursue the evaluation of outcomes in the MEP, both for management steering of the program and to regularly measure the return on Federal investment. Funded extension centers are periodically reviewed by formal panels, those which are not able to achieve effective outcomes will be terminated.

NIST managed a working group from existing MTCs to test their impact on small companies. An increase in jobs of 15 percent was found over a two year period, along with a seven percent increase in productivity and a 34 percent increase in sales.

As producers of durable and capital goods, small- and medium-sized manufacturers contribute roughly 50 percent of the value-added in U.S. manufacturing. Thus, the competitiveness of small manufacturers provides the foundation for the competitiveness of all U.S. manufacturing. This alone could be considered sufficient to demonstrate the economic significance of strengthening their competitiveness. While metrics for measuring the performance of individual MTCs are rough, GAO has cited estimates that for every Federal dollar spent, eight additional dollars are saved or earned by industry. The efforts proposed in this initiative are intended to further increase the efficiency and leverage of Federal expenditures aimed at improving technology implementation by small manufacturers.

Cost and Benefits:

Funding of the \$30,665,000 requested will enable NIST to run competitions for 15 MOCs and make STEP planning grants available on a broad basis to states that wish to undertake serious planning for industrial extension. In addition, NIST will continue networking services to link NIST funded centers, other extension centers, and technology sources which arise from other organizations.

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Technology transfer and outreach
Subactivity: Manufacturing extension partnership
Program Change: Manufacturing extension partnership

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Chemical engineer	14	1	\$59,022	\$59,022
Electrical engineer	14	1	59,022	59,022
Mechanical engineer	14	1	59,022	59,022
Business specialist	13	2	49,947	99,894
Computer scientist	13	2	49,947	99,894
Electrical engineer	13	2	49,947	99,894
Mechanical engineer	13	2	49,947	99,894
Chemical engineer	12	2	42,003	84,006
Computer scientist	12	3	42,003	126,009
Electrical engineer	12	2	44,327	88,654
Mechanical engineer	12	3	42,003	126,009
Subtotal		21		1,001,320
Less lapse				(250,330)
Total full-time permanent (FTE)		(5)		
1995 Pay Adjustment (1.6%)				750,990
Total		16		12,016
				763,006

25 %

Number

Personnel Data
Full-Time Equivalent Employment:
Full-time permanent
Authorized Positions:
Full-time permanent

16

21

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Technology transfer and outreach

Subactivity: Manufacturing extension partnership

Program Change: Manufacturing extension partnership

Object Class	1995 Increase/ (Decrease) Obligations	1995 Increase/ (Decrease) Budget Authority
11 Personnel compensation	\$763	\$763
11.1 Full-time permanent	763	763
11.9 Total personnel compensation		
12.1 Civilian personnel benefits	220	220
21 Travel and transportation of persons	605	605
22 Transportation of things	130	130
23.3 Communications, utilities and miscellaneous charges	293	293
24 Printing and reproduction	303	303
25.1 Consulting services	0	0
25.2 Other services	2,186	2,186
25.3 Purchases of goods and services from Government accounts	267	267
25.5 Research and development contracts	0	0
26 Supplies and materials	97	97
31 Equipment	80	80
32 Land and structures	0	0
41 Grants, subsidies and contributions	25,421	25,421
99 Direct obligations	30,365	30,365
Transfer to NIST Working Capital Fund		300
Total Increase requested		30,665

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount
Quality program	13	\$4,000	13	\$4,000
	10	3,850	10	3,850
	Pos./BA			
	FTE/Oblig.			

Quality-Education and Health Care (+13 Permanent positions, BA + \$4,000,000, Direct Obligations + \$3,850,000, Transfer to WCF + \$150,000)
- This increase will enable NIST to capitalize on the industrial success of the Baldrige Award by expansion of award eligibility categories to include education (+\$2,000,000) and health care (+\$2,000,000).

Problem Magnitude and Scope:

Before the Malcolm Baldrige National Quality Award was introduced in 1987, quality was a poorly defined concept in U.S. industry; the introduction of this award has fostered a major change in U.S. industry. As stated in the January-February 1992, Harvard Business Review, "not since the Soviets launched Sputnik in 1957 have U.S. corporations worked toward so singular a purpose." The U.S. is in a tight for economic survival in a global economy in which quality is a major part of the answer to remaining competitive. U.S. trade deficits, high unemployment, and a decline in real income for U.S. citizens have placed the U.S. economy in the most precarious position since World War II. International developments are creating new opportunities, as well as new competitive pressures. The European Community is becoming a singular dominant market force in the world economy. Europe, in addition, has stepped up its emphasis on quality. Japan remains a leader in industrial competitiveness and in quality. Mexico and South America are moving quickly to establish national support programs in quality. Success in the future will depend more than ever on quality, speed, and cost.

The health care industry, which currently accounts for 14 percent of the U.S. GDP, is suffering in quality from the patient's perspective, and the cost of health care is hindering the ability of U.S. industry to remain competitive. (Employers have experienced annual health premium increases of 15-50 percent in recent years.) Since the publication of A Nation At Risk in 1983, and especially during the past several years, the Nation's education problem has been seen increasingly in the context of economic development, job creation, and competitiveness. Our education

system needs revitalization if it is to prepare adults with an education comparable to that being achieved by our Nation's chief economic competitors. Lessons learned from quality management in industry offer opportunities for direct translation to our education and health care systems.

Why NIST:

NIST has become an important focal point for quality in the United States. Public Law 100-107 assigned to NIST the responsibility of managing the Malcolm Baldrige National Quality Award. U.S. industry views the Baldrige Award criteria as a very useful diagnostic tool for evaluating the effectiveness of management practices. Commerce Secretary Brown has stated numerous times that the Administration is committed to quality improvement generally and to the Award program specifically. He personally has invited Secretaries Shalala (HHS) and Riley (Education) to join with NIST in designing Baldrige-like programs for health care and education. The Baldrige Award Program is a very successful example of a public/private partnership enhancing U.S. competitiveness. This Quality initiative provides an opportunity to build on the success of the Program.

Description of the Proposed NIST Technical Program:

The Award has proved to be highly effective in stimulating interest in quality, sharing and cooperation, and creation of new information sharing networks within the business community and with the public benefit sector. It has also proved to be an excellent device to uncover the "state of quality" in the U.S. and how well our institutions work. We propose expansion of Award eligibility categories to include education and healthcare. The expansion activities proposed in this initiative are in keeping with Secretary Brown's stated interests and would permit full cooperation with the education and health care communities to develop criteria and educational material appropriate to use with the Baldrige process in self-assessment. These steps are necessary prerequisites to introducing a competitive award, which will require Congressional notification. In contrast to the industrial Award program, where tremendous contributions of time have been made to share successful quality strategies and information on quality improvement, the nonprofit education and health care communities have less financial resources to enable contributions of staff and time. One element of this initiative is to provide support through grants and contracts to facilitate information sharing, through interaction with and creation of new networks, and through written information.

Economic Impacts:

Quality must transform U.S. industry if it is to remain competitive. Industry is receiving the message. Companies are using the Baldrige criteria in massive self-improvement programs. The impact of the award is spreading well beyond those who actually submit an application. As part of a GAO study published in May 1991, the Baldrige-related quality practices of 20 companies in the U.S. were examined. In eight of nine companies examined on overall employee satisfaction, an increase was demonstrated. In an examination of operating procedures, reliability improved by an annual average of 11.3 percent for the 12 companies providing data. Six of seven reporting companies shortened their product lead time. For all nine companies reporting data on cost savings from quality improvement efforts, there was an increase in savings. The average annual cost savings attributed to employee suggestions ranged from \$1.3 million to \$116 million per year. Overall customer satisfaction increased

for 12 of 14 reporting companies and was unchanged at a high level in the remaining two companies. This illustrates the potential economic impacts of quality improvement. Adoption of the Baldrige Award criteria has repeatedly resulted in major gains in productivity. For the ten Baldrige Award winners that analyze productivity enhancement as annual increase in revenue/employee, a median average annual compounded growth of 9.4 percent and a mean of 9.25 percent have been achieved. Much can be done yet via partnerships to extend lessons learned to all sectors of the U.S. economy. Adaptation of award criteria to health care and education have the potential for providing equally striking results to the ones quoted above.

Cost and Benefits:

With funding of \$4,000,000 requested per year, NIST will provide both near-term and long-term results of benefit to the healthcare and education communities. In the first year of funding under this initiative, a set of Baldrige-like criteria with education/healthcare focus will be piloted in the respective communities. In the second year, a number of institutions will be invited to do self-assessments, followed by examiner assessments to train education and healthcare quality professionals in using Baldrige "methodology". During year three, significant information sharing will be fostered in these communities, and NIST will disseminate case studies containing data and information on successful quality program implementation strategies.

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Technology transfer and outreach
Subactivity: Quality program
Program Change: Quality program

Title	Grade	Number	Annual Salary	Total Salaries
General physical scientist	15	1	\$69,427	\$69,427
General physical scientist	14	1	59,022	59,022
Statistician	14	1	59,022	59,022
Business specialist	14	1	59,022	59,022
Biologist	14	1	59,022	59,022
Social scientist	14	2	59,022	118,044
Business specialist	13	1	49,947	49,947
Statistician	13	1	49,947	49,947
Education specialist	13	2	49,947	99,894
Economist	13	1	49,947	49,947
Information specialist	12	1	42,003	42,003
Subtotal		13		715,297
Less lapse		(3)		(178,824)
Total full-time permanent (FTE)		10		536,473
1995 Pay Adjustment (1.6%)				8,584
Total				545,057

Number

Personnel Data

Full-Time Equivalent Employment:

Full-time permanent

10

Authorized Positions:

Full-time permanent

13

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Technology transfer and outreach
Subactivity: Quality program
Program Change: Quality program

Object Class	1995 Increase/ (Decrease) Obligations	1995 Increase/ (Decrease) Budget Authority
11 Personnel compensation	\$545	\$545
11.1 Full-time permanent	545	545
11.9 Total personnel compensation	157	157
12.1 Civilian personnel benefits	105	105
21 Travel and transportation of persons	3	3
22 Transportation of things	163	163
23.3 Communications, utilities and miscellaneous charges	15	15
24 Printing and reproduction	0	0
25.1 Consulting services	2,587	2,587
25.2 Other services	179	179
25.3 Purchases of goods and services from Government accounts	0	0
25.5 Research and development contracts	72	72
26 Supplies and materials	24	24
31 Equipment	0	0
32 Land and structures	0	0
41 Grants, subsidies and contributions	0	0
99 Direct obligations	3,850	3,850
Transfer to NIST Working Capital Fund	150	150
Total increase requested	4,000	4,000

MEP Quantitative Performance Measures
(Base)

	<u>FY 1994¹</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
o Number of MTC operating with NIST funding	7	7	7	7	7	7
o Number of MTC operating with TRP funding (est.)	14	14				
o Number of MOC operating with NIST funding	...	15	15	15	15	15
o Number of MOC operating with TRP funding (est.)	33	33				
o STEP - state plans completed	15					
o STEP - initial implementation	...	15	15	20	20	20
Significant Service Relationships						
o Companies served by DoC funded MTC/MOC	28,000	28,000	34,000	34,000	34,000	34,000
o Companies served by STEP implementation	2,000	4,500	4,500	6,000	6,000	6,000
Total companies served	30,000	32,500	38,500	40,000	40,000	40,000

¹ Changes between FY 1994 and FY 1995 do not reflect anticipated FY 1995 initiative funding.

MEP Quantitative Performance Measures
(Total Program)

	<u>FY 1994¹</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
o Number of MTC operating with NIST funding	7	7	25	25	25	25
o Number of MTC operating with TRP funding	14	14				
o Number of MOC operating with NIST funding	...	15	63	75	75	75
o Number of MOC operating with TRP funding	33	33				
o STEP -- state plans completed	15	30	30			
o STEP -- initial implementations	...	15	15	30	45	45
Significant Service Relationships						
o Companies served by DoC funded MTC/MOC	28,000	34,000	125,000	130,000	130,000	130,000
o Companies served by STEP implementation	2,000	4,500	4,500	9,000	13,500	13,500
Total companies served	30,000	38,500	129,500	139,000	143,500	143,500

¹ Changes between FY 1994 and FY 1995 reflect anticipated initiative funding.

Quality Quantitative Performance Measures

	<u>FY 1994¹</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
o Number of state and local quality award programs initiated	5	5	5	5	5	5
o Number of state and local quality award programs supported	25	30	33	37	41	45

¹ Changes between FY 1994 and FY 1995 do not reflect anticipated FY 1995 initiative funding.

Technology Transfer and Outreach
REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
 (Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Defense			
Air Force	0	\$144	0
Army	0	585	0
Navy	\$1,214	246	0
ARPA	108	99,522	\$25,000
Subtotal, Department of Defense	<u>1,322</u>	<u>100,497</u>	<u>25,000</u>
Department of Energy	305	20	0
Environmental Protection Agency	0	315	0
Other	191	176	0
Total, Other Agency	<u>1,818</u>	<u>101,008</u>	<u>25,000</u>
Total, Reimbursable Program	<u>1,818</u>	<u>101,008</u>	<u>25,000</u>

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
ADMINISTRATIVE SAVINGS FOR FY 1995
(Dollar amounts in thousands)

	1995 Base		1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
Extramural Programs						
Pos./BA	209	\$233,684	240	\$518,960	31	\$285,276
FTE/Obl.	221	233,624	244	517,250	23	283,626
Administrative savings						
Pos/BA			0	(21)	0	(21)
FTE/Obl.			0	(21)	0	(21)

As required by Executive Order 12837, a decrease of \$21,000 reflects a three percent reduction in administrative expenses from the amount made available for fiscal year 1993, adjusted for inflation. The decrease is taken in the Advanced technology program subactivity.

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Extramural programs
Program Change: Administrative savings

<u>Object Class</u>		1995 Increase/ (Decrease) <u>Obligations</u>
11	Personnel compensation	
11.1	Full-time permanent	0
11.9	Total personnel compensation	0
12.1	Civilian personnel benefits	0
21	Travel and transportation of persons	(\$1)
22	Transportation of things	0
23.3	Communications, utilities and miscellaneous charges	(5)
24	Printing and reproduction	0
25.1	Consulting services	(1)
25.2	Other services	(10)
25.3	Purchases of goods and services from Government accounts	0
25.5	Research and development contracts	0
26	Supplies and materials	(4)
31	Equipment	0
32	Land and structures	0
41	Grants, subsidies and contributions	0
99	Direct obligations	(21)

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
FTE SAVINGS FOR FY 1995
(Dollar amounts in thousands)

	1995 Base		1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
Extramural programs						
Pos./BA	209	\$233,684	240	\$518,960	31	\$285,276
FTE/Obl.	221	233,624	244	517,250	23	283,626
FTE savings						
Pos/BA			(3)	(168)	(3)	(168)
FTE/Obl.			(3)	(168)	(3)	(168)

As required by Executive Order 12839, a decrease of 3 FTEs and \$168,000 reflects salary and benefits savings as a result of reducing staff by 1.5 percent. The decrease is taken in the Advanced technology program subactivity.

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Extramural programs
Program Change: FTE Savings

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Physical scientist	14	(1)	\$64,926	(\$64,926)
Physical scientist	11	(1)	37,382	(37,382)
Administrative support	7	(1)	26,045	(26,045)
Total full-time permanent (FTE)		(3)		(128,353)

Personnel Data

Full-time Equivalent Employment:

Full-time permanent

(3)

Authorized Positions:

Full-time permanent

(3)

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Extramural programs
Program Change: FTE Savings

<u>Object Class</u>	1995 Increase/ (Decrease) <u>Obligations</u>
11 Personnel compensation	(\$128)
11.1 Full-time permanent	(128)
11.9 Total personnel compensation	(40)
12.1 Civilian personnel benefits	0
21 Travel and transportation of persons	0
22 Transportation of things	0
23.3 Communications, utilities and miscellaneous charges	0
24 Printing and reproduction	0
25.1 Consulting services	0
25.2 Other services	0
25.3 Purchases of goods and services from Government accounts	0
25.5 Research and development contracts	0
26 Supplies and materials	0
31 Equipment	0
32 Land and structures	0
41 Grants, subsidies and contributions	0
99 Direct obligations	(168)

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease)
11 Personnel compensation					
11.1 Full-time permanent	\$7,143	\$10,749	\$11,455	\$12,539	\$1,084
11.3 Other than full-time permanent	277	545	546	546	0
11.5 Other personnel compensation	123	123	123	123	0
11.9 Total personnel compensation	7,543	11,417	12,124	13,208	1,084
12.1 Civilian personnel benefits	1,490	2,511	2,730	3,044	314
13 Benefits for former personnel	3	5	5	5	0
21 Travel and transportation of persons	327	1,117	1,175	2,284	1,109
22 Transportation of things	43	313	332	465	133
23.1 Rental payments to GSA	1	3	3	3	0
23.2 Rental payments to others	39	55	56	56	0
23.3 Communications, utilities, and miscellaneous charges	675	1,211	1,246	1,737	491
24 Printing and reproduction	53	417	443	781	338
25.1 Consulting services	275	658	763	763	0
25.2 Other services	1,077	10,308	10,969	25,640	14,671
25.3 Purchases of goods and services from Government accounts	1,338	4,731	4,904	5,500	596
26 Supplies and materials	859	1,797	1,876	2,661	785
31 Equipment	1,231	1,983	2,290	2,674	384
32 Lands and structures	19	19	19	19	0
41 Grants, subsidies and contributions	60,270	250,847	194,689	458,410	263,721
42 Insurance claims and indemnities	0	0	0	0	0
99 Total obligations	75,243	287,392	233,624	517,250	283,626
Transfer to NIST Working Capital Fund			60	1,710	1,650
Total Requirements			233,684	518,960	285,276
					NIST-63

<u>Personnel Data</u>				
	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate
Full-time equivalent employment:				
Full-time permanent	121	197	206	229
Other than full-time permanent	7	15	15	15
Total	128	212	221	244
Authorized Positions:				
Full-time permanent	122	209	209	240
Other than full-time permanent	10	18	18	18
Total	132	227	227	258
				31

Increase/
(Decrease)

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	1995 Adjustments to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
11 Personnel compensation				
11.1 Full-time permanent				
Executive level	0	0	0	0
Senior executive service	\$24	\$752	\$752	0
General schedule	377	10,703	11,787	\$1,084
Wage board	0	0	0	0
Scientific & professional (P.L. 80-313)	0	0	0	0
Subtotal	401	11,455	12,539	1,084
11.3 Other than full-time permanent				
General schedule	1	546	546	0
Wage board	0	0	0	0
Scientific & professional (P.L. 80-313)	0	0	0	0
Experts & consultants	0	0	0	0
Student	0	0	0	0
Subtotal	1	546	546	0
11.5 Other personnel compensation				
Overtime	0	50	50	0
SES performance awards	0	15	15	0
Cash awards	0	58	58	0
Merit pay awards	0	0	0	0
Other	0	0	0	0
Subtotal	0	123	123	0
11.9 Total personnel compensation	402	12,124	13,208	1,084

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Object Class	1995 Adjustments to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
12.1 Civilian personnel benefits				
Civil service retirement	(5)	315	315	0
Federal employees' retirement	73	935	1,074	139
Thrift savings plan	13	233	265	32
Federal Insurance Contribution Act	20	599	681	82
Health insurance	34	564	624	60
Life insurance	0	27	28	1
Employees' Compensation Fund	(4)	29	29	0
Other	0	28	28	0
Subtotal	131	2,730	3,044	314
13 Benefits for former personnel				
Severance pay	0	0	0	0
Unemployment compensation	0	5	5	0
Other	0	0	0	0
Subtotal	0	5	5	0
21 Travel and transportation of persons				
Common carrier	0	510	971	461
Mileage	0	35	74	39
Per diem/actual	32	480	928	448
Other	0	150	311	161
Subtotal	32	1,175	2,284	1,109
22 Transportation of things	9	332	465	133
23.1 Rental payments to GSA	0	3	3	0
23.2 Rental payments to others	0	56	56	0

Object Class	1995 Adjustments to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
23.3 Communications, utilities, and miscellaneous charges				
Rental of ADP equipment	0	42	61	19
Rental of office copying equipment	0	100	150	50
Other equipment rental	12	145	195	50
Federal telecommunications system	0	38	55	17
Other telecommunications services	0	113	178	65
Postal Service by USPS	0	77	112	35
Utilities:				
Electric	0	475	641	166
Gas	15	145	195	50
Water/Sewer	19	111	150	39
Subtotal	46	1,246	1,737	491
24 Printing and reproduction				
Publications	10	348	590	242
Other	3	95	191	96
Subtotal	13	443	781	338
25.1 Consulting services				
Management & professional support services	0	143	143	0
Studies, analyses, & evaluation	0	620	620	0
Subtotal	0	763	763	0
25.2 Other services				
Training:				
Office of Personnel Management	0	1	1	0
Other	3	66	123	57
Maintenance of equipment	10	351	525	174
ADP Services	7	132	159	27
Other non-government contracts	387	10,419	24,832	14,413
Subtotal	407	10,969	25,640	14,671

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	Object Class	1995 Adjustments to	1995 Base	1995 Estimate	Increase/ (Decrease)
25.3	Purchases of goods and services from Government accounts				
	Payments to GA, WCF	9	194	194	0
	Other Federal agencies:				
	Dept. of Commerce	41	2,942	3,352	410
	Other	0	1,768	1,954	186
	Subtotal	50	4,904	5,500	596
26	Supplies and materials				
	Office & laboratory supplies	45	1,856	2,641	785
	Scientific publications & journals	0	7	7	0
	Fuel oil	0	0	0	0
	Reactor Fuel	0	13	13	0
	Subtotal	45	1,876	2,661	785
31	Equipment				
	Office machines and other equipment	18	921	1,247	326
	ADP equipment	3	374	432	58
	Equipment depreciation	4	995	995	0
	Subtotal	25	2,290	2,674	384
32	Lands and structures	0	19	19	0
41	Grants, subsidies and contributions	0	194,689	458,410	263,721
42	Insurance claims and indemnities	0	0	0	0
99	Total Obligations	1,160	233,624	517,250	283,626
	Transfer to NIST Working Capital Fund	0	60	1,710	1,650
	Total Requirements	1,160	233,684	518,960	285,276

Department of Commerce
National Institute of Standards and Technology

Industrial Technology Services

JUSTIFICATION OF PROPOSED LANGUAGE CHANGES

1. After the words "and the Quality," delete the word "Outreach." The term "outreach" is inappropriate in the title of the Quality Program. Activities that would have supported the title were not funded.

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
APPROPRIATION LANGUAGE AND CODE CITATIONS

1. For necessary expenses of the Manufacturing Extension Partnership, the Advanced Technology Program, and the Quality Program of the National Institute of Standards and Technology,

15 U.S.C. 278k, 278l, 278n, 3711a

15 U.S.C. 278k directs the Secretary, through the Director of NIST, to provide assistance for the creation of Regional Centers for the Transfer of Manufacturing Technology.

15 U.S.C. 278l directs the Secretary, through the Director of NIST or other appropriate officials, to provide technical assistance to State technology programs.

15 U.S.C. 278n establishes in the Institute (NIST) an Advanced Technology Program.

15 U.S.C. 3711a establishes the Malcolm Baldrige National Quality Award.

2. \$518,960,000, to remain available until expended,

no specific authority

31 U.S.C. 718 - Appropriations in annual Appropriation Acts not permanent, states: "No specific or indefinite appropriations... shall be construed to be permanent or available continuously... unless it is made in terms expressly providing that it shall continue available beyond the fiscal year for which the Appropriations Act in which it is contained makes provision."

3. of which not to exceed \$1,710,000 may be transferred to the "Working Capital Fund."

15 U.S.C. 278b

15 U.S.C. 278b provides in part: "The National Institute of Standards and Technology is authorized to utilize in the performance of its functions the Working Capital Fund..."

Additional authorizing legislation will be proposed for FY 1995.

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
Industrial Technology Services
CONSULTING AND RELATED SERVICES
(Obligations in thousands of dollars)

	FY 1993 <u>Actual</u>	FY 1994 <u>Estimate</u>	FY 1995 <u>Estimate</u>
Management and Professional Services	\$135	\$139	\$143
Special Studies and Analysis	<u>140</u>	<u>519</u>	<u>620</u>
Total	275	658	763

Significant Activities

ITS consulting and related services are concerned with a review and evaluation of applicants for grants associated with the Advanced Technology Program (ATP) and the Manufacturing Extension Program (MEP) and with evaluation of their programmatic outcomes.

Explanation of Funding Level Changes.

The FY 1995 funding level for ITS management and professional support services reflects an increase in required services due to the proposed increase in the level of the ATP program and the MEP program.

Need for Consulting Services.

The need for consulting and related services stems from the NIST role in dealing with the private sector, professional organizations, and the public sector. Inputs must be obtained from consultants who can bring their individual expertise to bear and help NIST in assessing its program plans to meet the needs of its customers. The alternative to utilizing these services is to make no attempt to have expertise from sources outside NIST and risk having a poorer working and professional relationship with those in the business of using the products and services offered by NIST.

Internal Controls to Ensure Appropriate Use.

Requisition requests from NIST program managers for advisory and assistance services must be accompanied by written justification for the need for such services. Personal services contracts require review by the Personnel Office.

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No.

Appropriation Available, 1994			
less:	Unobligated balance from prior years	1,864	\$226,000
plus:	Working Capital Fund adjustment		
plus:	1995 Adjustments to base	(5)	5,334
less:	Prior year recoveries		(1,000)
1995 Base			
		1,859	230,334
less:	Administrative savings		(291)
less:	FTE savings	(32)	(2,007)
plus:	1995 Program changes	173	88,004
1995 Appropriation request			
		2,000	316,040
less:	Working Capital Fund transfer		(13,025)
1995 Estimate			
		2,000	303,015
NIST - 77			
			1,905
		45	5,334
NIST - 193			
			230,659
NIST - 195			
			(291)
		(32)	(2,007)
		129	75,654
		2,088	304,015
1995 Estimate			
		2,088	304,015

		1993		1994		1995		1995		Increase/ (Decrease) Over 1995 Base	
		<u>Actual</u>		<u>Currently Available</u>		<u>Base</u>		<u>Estimate</u>			
		<u>Per – sonnel</u>	<u>Amount</u>	<u>Per – sonnel</u>	<u>Amount</u>	<u>Per – sonnel</u>	<u>Amount</u>	<u>Per – sonnel</u>	<u>Amount</u>	<u>Per – sonnel</u>	<u>Amount</u>
Comparison by activity:											
	Measurement and engineering research and standards										
ELECTRONICS AND ELECTRICAL ENGINEERING	Pos./BA	236	26,508	265	29,453	265	30,353	260	30,003	(5)	(350)
	FTE/Obl.	248	24,844	279	29,829	284	30,392	279	30,042	(5)	(350)

		1994				1995				1995				Increase/ (Decrease) Over 1995 Base	
		1993		Currently Available		Base		Estimate		Estimate		Per-			
		Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount		
Comparison by activity:															
NIST – 93	Manufacturing engineering	Pos./BA	116	10,092	139	13,601	139	14,427	158	32,275	158	32,275	19	17,848	
		FTE/Obl.	122	9,952	144	13,431	149	14,230	163	29,538	163	29,538	14	15,308	
NIST – 105	Chemical science and technology	Pos./BA	186	19,303	210	22,192	210	23,871	220	32,809	220	32,809	10	8,938	
		FTE/Obl.	196	19,756	221	22,372	225	23,925	231	30,008	231	30,008	6	6,083	
NIST – 123	Physics	Pos./BA	205	26,372	212	26,689	212	27,828	208	27,522	208	27,522	(4)	(306)	
		FTE/Obl.	216	25,740	228	27,179	228	27,968	224	27,662	224	27,662	(4)	(306)	
NIST – 129	Materials science and engineering	Pos./BA	294	35,568	320	43,319	320	45,313	343	61,719	343	61,719	23	16,406	
		FTE/Obl.	310	37,258	342	44,993	346	45,450	362	60,246	362	60,246	16	14,796	
NIST – 141	Building and fire research	Pos./BA	101	12,070	104	12,780	104	13,400	102	13,245	102	13,245	(2)	(155)	
		FTE/Obl.	106	11,756	112	13,232	112	13,467	110	13,312	110	13,312	(2)	(155)	
NIST – 149	Computer systems	Pos./BA	133	12,141	258	28,881	258	30,348	338	68,463	338	68,463	80	38,115	
		FTE/Obl.	140	12,062	238	27,966	269	30,216	328	63,176	328	63,176	59	32,960	
NIST – 163	Applied mathematics and scientific computing	Pos./BA	69	6,779	71	6,951	71	7,367	70	7,271	70	7,271	(1)	(96)	
		FTE/Obl.	72	6,689	77	7,140	77	7,403	76	7,307	76	7,307	(1)	(96)	
NIST – 169	Technology assistance	Pos./BA	86	8,522	94	10,965	94	10,087	106	14,667	106	14,667	12	4,580	
		FTE/Obl.	89	9,483	99	11,111	100	10,132	108	14,522	108	14,522	8	4,390	
NIST – 183	Research support activities	Pos./BA	191	35,585	191	31,169	186	27,340	195	28,066	195	28,066	9	726	
		FTE/Obl.	202	34,216	206	36,604	201	27,476	207	28,202	207	28,202	6	726	
Direct obligations															
	Pos./BA	1,617	192,940	1,864	226,000	1,859	230,334	2,000	316,040	2,000	316,040	141	85,706		
		FTE/Obl.	1,701	191,756	1,946	233,857	1,991	230,659	2,088	304,015	2,088	304,015	97		73,356

	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base	
	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount
Comparison by activity:										
Adjustments to obligations:										
Recoveries		(411)		0		(1,000)		(1,000)		0
Unobligated balance, start of year		(9,718)		(10,437)		0		0		0
Unobligated balance, end of year		10,437		0		0		0		0
Financing from transfers:										
Transfers to other accounts		876		2,580		675		13,025		12,350
Appropriation		192,940		226,000		230,334		316,040		85,706

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

	Perm. Pos.	FTE	Amount
<u>Transfers:</u>			
Facilities transfer to Construction of Research Facilities (CRF) appropriation	(5)	(5)	(\$5,153)
Transfer to GA Working Capital Fund	(11)	(11)	0
Subtotal, transfers	(6)	(6)	(5,153)
<u>Financing:</u>			
Recoveries of prior year obligations	0	0	(1,000)
<u>Other Changes:</u>			
1994 Locality pay increase	0	0	4,432
1995 Pay raise	0	0	1,417
Annualization of prior-year positions	0	50	0
Changes in compensable days	0	0	(448)
Within-grade step increases	0	0	1,003
Civil Service Retirement System (CSRS)	0	0	(124)
Federal Employees Retirement System (FERS)	0	0	228
Thrift Savings Plan	0	0	35
Federal Insurance Contributions Act (FICA) - OASDI	0	0	68
Health Insurance	0	0	474
Employees' Compensation Fund	0	0	(74)
Travel: Per diem	0	0	110
Transportation of things	0	0	22
Rental payments to GSA	0	0	1
Rental payments to others	0	0	1
Communications, utilities, and miscellaneous charges:			
Other telephone	0	0	5
Rental of equipment	0	0	38
Utilities	0	0	315
Printing and reproduction	0	0	15

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	Perm. Pos.	FTE	Amount
Other services:			
Audit Costs	1	1	410
Working Capital Fund	0	0	62
Other services	0	0	1,708
Supplies and materials	0	0	292
Equipment	0	0	497
Subtotal, other changes	1	51	10,487
Total, adjustments to base	(5)	45	4,334

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

<u>Transfers:</u>	<u>FTE</u>	<u>Amount</u>
Facilities transfer to Construction of Research Facilities appropriation	(5)	(\$5,153)
NIST requests the transfer of 5 FTEs and \$5,153,000 from STRS to the CRF appropriation. This transfer would place in one appropriation all funding associated with the construction of new facilities and the modifications associated with maintenance on the present facilities. The similarity in the funding for these activities will allow for increased efficiency in their administration.		
Transfer to GA Working Capital Fund	(1)	0

One position is being transferred to the Department's Working Capital Fund to consolidate Department of Commerce Workers' Compensation payments.

Financing:

Recoveries of prior year obligations	0	(1,000)
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In FY 1995 NIST expects to realize recoveries of prior year obligations of \$1,000,000. This amount will be used to offset the budget authority in FY 1995.

Other Changes:

1994 Locality pay raise	0	4,432
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A locality pay raise was implemented in January 1994.

Total cost in FY 1995 of locality pay raise	4,391,000
Less amount funded in FY 1994	0
Less amount absorbed	<u>0</u>
Amount requested in 1995 to provide full-year cost of 1994 locality pay raise	4,391,000
Payment to Working Capital Fund	<u>41,000</u>
Total adjustment for FY 1994 locality pay raise	4,432,000

1995 Pay increase and related costs	0	1,417
--	---	-------

A general pay raise of 1.6 percent is assumed to be effective January 1, 1995.

Total cost in FY 1995 of pay increase	1,406,000
Less amount absorbed in FY 1995	<u>0</u>
Amount requested for FY 1995 pay increase	1,406,000
Payments to Working Capital fund	<u>11,000</u>
Total adjustment for FY 1995 pay increase	1,417,000

Annualization of prior-year positions	50	0
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NIST requires an additional 50 FTEs to staff FY 1994 Congressional increases at their full operating level in FY 1995.

Changes in compensable days	0	(448)
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The cost of one less compensable day in FY 1995 was calculated by dividing the FY 1994 estimate for personnel compensation and benefits by 261 compensable days.

Within-grade step increases	0	1,003
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An increase of \$1,003,000 is required to cover the cost of within-grade step increases. This estimate reflects the net cost of step increases, including merit pay increases, which will be earned in FY 1995.

Estimated number of within-grade step increases	1,659
Step increases not earned due to turnover (12.6% x 1,659)	209
Average step above step 1 per separation	3
Average cost per within-grade step increase	1,341
Gross cost of scheduled step increases (\$1,341 x 1,659)	2,224,719
Less savings due to separations (\$1,341 x 209 x 3)	(840,807)
Subtotal, personnel compensation	1,383,912
STRS share (63.0%)	871,865
Benefits	130,971
Total adjustment to base	1,002,836

Personnel benefits 0 681

Civil Service Retirement System (CSRS)	(124,000)
Federal Employees Retirement System (FERS)	228,000
Thrift Savings Plan	35,000
Federal Insurance Contribution Act (FICA) - OASDI	68,000
Health Insurance	474,000

Civil Service Retirement System (-\$124,000) - The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 55.3 percent in FY 1994 to 53.5 percent in FY 1995. Contribution rates will remain the same.

Payroll subject to retirement systems (\$98,251,500)	
Cost of CSRS contributions in FY 1995 (\$98,251,500 x .535 x .07)	\$3,679,519
Cost of CSRS contributions in FY 1994 (\$98,251,500 x .553 x .07)	3,803,316
Total adjustment to base	(123,797)

Federal Employees Retirement System (\$228,000) - The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 44.7 percent in FY 1994 to 46.5 percent in FY 1995. The contribution rate will remain the same.

Payroll subject to retirement systems (\$98,251,500)	
Basic benefit cost in FY 1995 (\$98,251,500 x .465 x .129)	\$5,893,616
Basic benefit cost in FY 1994 (\$98,251,500 x .447 x .129)	<u>5,665,476</u>
Total adjustment to base	228,140

Thrift Savings Plan (\$35,000) - The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain 2 percent.

Thrift plan cost in FY 1995 (\$98,251,500 x .465 x .02)	\$913,739
Thrift plan cost in FY 1994 (\$98,251,500 x .447 x .02)	<u>878,368</u>
Total adjustment to base	35,371

Federal Insurance Contributions Act (FICA) - OASDI (\$68,000) - As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will rise from \$60,150 in FY 1994 to \$61,050 in FY 1995. The OASDI tax rate will remain 6.2 percent in FY 1995.

FERS payroll subject to FICA tax in 1995 (\$98,251,500 x .465 x .9357 x .062)	\$2,650,455
FERS payroll subject to FICA tax in 1994 (\$98,251,500 x .447 x .9470 x .062)	<u>2,578,626</u>
Increase (FY 1994-FY 1995)	71,829

OTP payroll subject to FICA tax in FY 1995 (\$5,252,500 x .9357 x .062)	304,715
OTP payroll subject to FICA tax in FY 1994 (\$5,252,500 x .9470 x .062)	<u>308,395</u>
Change (FY 1994-FY 1995)	(3,680)

Total OASDI increase	68,149
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Health insurance (\$474,000) - Effective January 1993, NIST's contribution to Federal employees' health insurance premiums increased by \$719,000. The STRS share of this increase is \$474,000. The total increase was computed based on employee participation in the various health benefit plans and the associated increases.

Employees' Compensation Fund (-\$74,000)	0	(74)
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The Employees' Compensation Fund bill for the year ending June 30, 1993, is \$78,000 lower than the bill for the year ending June 30, 1992. The STRS share of this decrease is \$74,000.

Travel: per diem	0	110
Effective January 1993 the General Services Administration raised per diem rates. This increase results in a 6.2 percent increase to NIST. This percentage was applied to the FY 1994 STRS estimate of \$1,772,000 to arrive at an increase of \$109,864.		
Transportation of things	0	22
The cost of transporting such things as household goods, scientific instruments, and hazardous materials increased during the past year. The \$22,000 increase was calculated by applying the 2.8 percent GDP price deflator to the FY 1994 estimate of \$779,000.		
Rental payments to GSA	0	1

This adjustment to base is required to cover the latest FY 1995 GSA rent estimate for space for NIST officials at the Hoover Building.

Rental payments to others	0	1
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This Joint Institute for Laboratory Astrophysics (JILA) is the organizational entity of the cooperative agreement between the University of Colorado and NIST. The University of Colorado and NIST share a building constructed for JILA on the university campus. The rental agreement provides for annual, built-in, inflationary increases based on the Consumer Price Index. The increase in the rental contract is expected to cost an additional \$855. The STRS share of this increase is \$539.

Communications, utilities, and miscellaneous charges	0	358
Communications	5,000	
Rental of equipment	38,000	
Utilities	315,000	

Communications (\$5,000) - The increase of \$5,000 is the STRS portion of the \$8,556 increase to the Rolm Phone contract, due to a 4 percent escalation rate each year for Gaithersburg telephone services.

Rental of equipment (\$38,000) - An increase of \$38,000 for rental of equipment was calculated by applying the actual 10 percent increase to the FY 1994 estimate of \$382,000 for office copying equipment.

Utilities (\$315,000) - This adjustment to base is required to pay the additional cost of electricity, natural gas, water/sewer, and refuse disposal, arising from rate increases in FY 1993. The STRS share of this increase is \$315,000.

Printing and reproduction

0 15

GPO has provided an estimated rate increase of 3.0 percent. This percentage was applied to the FY 1994 estimate of \$515,000 to arrive at an increase of \$15,450.

Other services

1 2,180

Increases in costs for recurring contractual support services have been experienced. This is due principally to increases in salary costs for the services performed, increases in costs for materials and supplies, increases in costs of computer support, increases for equipment maintenance, and increases required to cover the costs of auditing financial statements, as required by the CFO Act.

Other Services

	FY 1994 Budget	Revised Estimate	Increase In Cost
Audit Costs*	0	410	410
Advances and Reimbursements	457	524	67
Working Capital Fund (GA)	1,160	1,222	62
Periodicals	716	794	78
Supercomputer	690	708	18
JILA contract	466	504	38
Training	900	977	77
ADP services	493	542	49
Maintenance of equipment	5,848	6,304	456
Postdoctoral research fellowship program	94	136	42
Patents	221	254	33
Other support services	<u>29,308</u>	<u>30,158</u>	<u>850</u>
Total other services increase	40,353	42,533	2,180

*Audit Costs (\$410,000) - An increase of one FTE and \$410,000 is required to cover the cost of auditing financial statements, as required by the CFO Act.

Supplies and materials

0 292

The \$292,000 increase was calculated by applying the GDP price deflator of 2.8 percent to the FY 1994 estimate of \$10,425,000 for laboratory and office supplies and scientific publications and journals.

Equipment	0	497
Equipment depreciation	368,000	
Office-ADP-Other equipment	116,000	
Library Books	13,000	

Equipment depreciation (\$368,000) - An increase of \$368,000 is required to offset the effects of inflation. The increase was based on applying the GDP price deflator of 2.8 percent to the FY 1994 STRS estimate of \$13,156,000 for equipment depreciation. The additional appropriated funds will be allocated to the NIST operating units to finance depreciation charges paid to the NIST Working Capital Fund.

Office-ADP-Other equipment (\$116,000) - The \$116,000 increase was calculated by applying the 2.8 percent GDP price deflator to the FY 1994 estimate for office machines, ADP, and other special equipment.

Library books (\$13,000) - The NIST Research Information Center is an important research tool used by the NIST scientific and technical staff, and it is essential that the research books available at the site are kept current. Based on cost increases between 1992 and 1993, the required increase for library books in fiscal year 1993 is \$20,980. The STRS share is \$13,218.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Electronics and electrical engineering

<u>Line Item</u>	1993		1994		1995		1995		Increase/ (Decrease)	
	Per-	Actual	Per-	Currently Available	Per-	Base	Per-	Estimate	Over 1995 Base	
	sonnel	Amount	sonnel	Amount	sonnel	Amount	sonnel	Amount	sonnel	Amount
Electronics and electrical engineering	236	\$26,508	265	\$29,453	265	\$30,353	260	\$30,003	(5)	(\$350)
FTE/Obl.	248	24,844	279	29,829	284	30,392	279	30,042	(5)	(350)

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Electronics and electrical engineering

Line Item	1993		1994		1995		1995		Increase/ (Decrease)	
	Actual		Currently Available		Base		Estimate		Over 1995 Base	
	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount
Electronics and electrical engineering										
WCF transfers	0	0	0	\$385	0	\$100	0	\$100	0	0
Reimbursable FTE/Obl	169	\$15,978	111	12,742	94	11,768	92	11,768	(2)	0
Total	169	15,978	111	13,127	94	11,868	92	11,868	(2)	0

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
ELECTRONICS AND ELECTRICAL ENGINEERING

Goal Statement

The goals of this subactivity are to (1) enhance the competitiveness of U.S. industry by providing support to the electronics and electrical industries in their development of advanced technology and by diffusing technological advances to users in all segments of the economy and (2) provide measurements, calibrations, and quality assurance techniques which underpin U.S. commerce, technological progress, improved product reliability, and manufacturing processes. These efforts support the DoC goal of enhancing technological development and commercialization. The measurement capability is provided to industry principally through (1) documented high-performance measurement methods for electronic and related quantities and (2) national reference standards which assure consistency and accuracy of measurements across all users nationwide.

Base Program

Through this program, NIST supports the U.S. electronics industry and its customers, including the Federal Government, by providing measurement technology the U.S. industry needs to improve its competitive position. NIST provides both measurement methods and the national reference standards required to assure the accuracy of the methods. The measurement technology is required for industrial research and development, for improvements in the manufacturing of quality products, for marketplace transactions including the entry of U.S. products into international markets, and for product application. The measurement and related technology resulting from this program support the fundamental electronic technologies of semiconductors, magnetics, and superconductors that underlie all modern electronic systems; information and communication technologies, including fiber optics, photonics, microwaves, and video; electrical power systems; the advanced manufacturing of electronic products; and electronic instrumentation broadly. This program is conducted by NIST's Electronics and Electrical Engineering Laboratory.

The measurement capability provided by this program supports entities ranging from giant electric utilities and large aerospace companies to specialized instrument manufacturers employing just a few individuals. For example, NIST provides microwave antenna measurements used by every major U.S. aerospace company, thus supporting a U.S. microwave industry which supplies about one half of the world microwave equipment market, a market which was \$61 billion in 1992. NIST provides national reference standards that support the accuracy of the electric power meters in every home and business in the U.S., thus supporting the metering of more than \$187 billion per year of electricity. NIST provides measurement capability reflected in voluntary industry standards affecting the manufacture of every new U.S. made optical fiber

communications line, thus supporting a U.S. fiber optics industry supplying a domestic market of \$2.1 billion while achieving a significant trade surplus in fiber cable (1992).

NIST's role is to remove measurement barriers that individual companies cannot overcome because they lack one or more of NIST's special characteristics, i.e., impartial position, recognized measurement capability, or imprimatur as the lead U.S. agency for measurements. These characteristics permit NIST to do what individual companies cannot: gain access to industry information needed to resolve industry-wide measurement problems; develop measurement solutions and national reference standards that benefit the industry as a whole across diverse product lines; and gain acceptance of those solutions by U.S. industry and its international customers so that U.S. products can be sold.

The FY 1995 base program operating objectives include the following:

- o Apply testing strategies based on empirical modeling to provide for the efficient testing of multirange and multifunction electronic instruments. As instruments become more versatile and flexible, the testing of these instruments becomes more costly. This project is intended to improve the competitiveness of the U.S. instrumentation industry, an industry which had shipments of about \$15 billion in 1992.
- o Provide standard reference materials for oxide thickness of 10, 7, and 5 nanometers, where a nanometer is one billionth of a meter. The semiconductor industry needs these materials to support its published goal to remain competitive by increasing the density of circuits on microelectronic devices by decreasing feature sizes. The uniformity of the oxide layers becomes an increasingly more important determinant of the yield and the performance of the devices as the oxide layers become thinner.
- o Develop measurement theory for scattering parameter measurements on integrated circuits for high frequencies (up to 60 GHz). The growth of information technology requires higher speed computers and wireless communication systems. Both of these require high performance, high frequency, integrated circuits. The measurement infrastructure does not yet exist to improve the yield, reduce the cost, and improve the performance of these emerging circuits. This theory is a necessary first step to the needed measurement infrastructure.
- o Provide measurement technology to determine the properties of the laser diodes used in optical telecommunication systems: laser risetime, falltime, frequency response, wavelength, linewidth, and noise. This measurement technology is needed to permit the telecommunications industry to develop high performance systems and components which can take advantage of the potential information carrying capacity of the installed optical fiber cables.

Quantitative Performance Measures

FY 1994 FY 1995 FY 1996 FY 1997 FY 1998 FY 1999

Cooperative Research

-	number of cooperative research projects in progress with industry, academia, and government (CRADAs)	4	4	5	5	5
-	number of new CRADAs signed	12	15	15	15	15
-	number of research associates and other guest researchers	45	45	45	45	45

Research Output

-	Methods/Standards					
--	number of new measurement methods/standards under development	95	95	95	95	95
-	Predictive Models					
--	number of predictive models under development	45	45	45	45	45
--	number of predictive models completed	20	20	20	20	20

Products/Services

-	Standard Reference Materials					
--	number of reference materials under development	20	20	20	20	20
--	number of new SRM's introduced	5	5	5	5	5
-	Calibrations					
--	number of calibrations/tests performed	4600	4600	4600	4600	4600

Electronics and Electrical Engineering
REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
(Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Defense			
Air Force	\$4,304	\$2,945	\$2,456
Army	903	718	618
Navy	3,293	1,471	1,125
Other	996	996	996
Subtotal, Department of Defense	9,496	6,130	5,195
Department of Commerce	13	0	0
Department of Justice	995	1,340	1,422
Department of Energy	495	539	539
National Aeronautics and Space Administration	128	258	271
Nuclear Regulatory Commission	50	50	50
Department of Transportation	586	140	81
Other	43	213	238
Total, Other Agency	11,806	8,670	7,796
Calibrations and Tests	2,141	2,041	1,941
Standard Reference Materials (SRM)	89	89	89
Technical and Advisory Services	1,942	1,942	1,942
Total, Reimbursable Program	15,978	12,742	11,768

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Manufacturing engineering

Line Item	1993		1994		1995		1995		Increase/ (Decrease) Over 1995 Base		
	Actual		Currently Available		Base		Estimate				
	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount			
Manufacturing engineering	Pos./BA	116	\$10,092	139	\$13,601	139	\$14,427	158	\$32,275	19	\$17,848
	FTE/Obl.	122	9,952	144	13,431	149	14,230	163	29,538	14	15,308

FY 1995 Initiative included:

Advanced manufacturing	Pos./BA 21	18,000	21	18,000
	FTE/Obl. 16	15,460	16	15,460

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Manufacturing engineering

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base
	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	
Manufacturing engineering									
WCF transfers	0	0	0	\$500	0	\$250	0	\$2,790	0
Reimbursable FTE/Obl	159	\$19,330	109	16,541	108	16,541	106	16,541	0
Total	159	19,330	109	17,041	108	16,791	106	19,331	2,540

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
MANUFACTURING ENGINEERING

Goal Statement

The goals of this subactivity are to (1) enhance the competitiveness of American industry by providing appropriate support for industry's development of broad-based, high-risk technologies which promise substantial commercial application and diffusing these advances to users in all segments of the American economy and (2) provide measurements, calibrations, and quality assurance techniques which underpin United States commerce, technological progress, improved product reliability, and manufacturing processes. The manufacturing engineering subactivity achieves these goals by conducting research in the areas of high precision dimensional measurement and precision engineering; robotics and intelligent machines; manufacturing data description, data administration, and information processing; and advanced sensors for manufacturing processes. In addition, technical support is provided for joint industry committees which are developing voluntary standards for length, force, and a number of subsidiary standards. An active program of technology transfer to industry is achieved through joint research, industrial research associates, and publications, conferences, seminars, and workshops and supports the DoC goal of enhancing technological development and commercialization.

Base Program

Through this subactivity, carried out in the Manufacturing Engineering Laboratory, NIST provides measurement methods, calibration standards and a technical research base for interface standards and on-line quality assurance to enable mechanical manufacturing industries to develop more rapidly and adopt automation and other advanced manufacturing technologies. The mechanical manufacturing industries served by these programs comprise approximately one-third of the total contribution to the GNP by the manufacturing sector and include the automotive, commercial aircraft, consumer electronics, and machine tool industries. Almost one-half of the U.S. trade deficit is accounted for by this group of manufacturing industries.

NIST supplies U.S. industry with both the standards and the measurement methods to support the current system of quality control. U.S. industries depend on NIST for services which assure dimensional compatibility of items manufactured at different sites and to satisfy requirements for traceability to national standards as the global market demands ever higher quality.

NIST aids the automation of U.S. manufacturing by providing the information necessary to develop standard "interfaces" between manufacturing systems. Typical of such efforts was the NIST-coordinated work which resulted in the Initial Graphics Exchange Specification, an international

standard that permits different Computer-Aided Design systems to exchange geometric design data. The Standard for the Exchange of Product Model Data (STEP), now under development internationally, will permit the exchange of total design data between design, process planning, and fabrication systems. NIST has a testbed facility for research on such integrated "knowledge-based" manufacturing systems. Other efforts include control systems for robots, autonomous vehicles, and factory automation for discrete parts, composites and material processing.

NIST has the mission to support development of manufacturing standards; a proven reputation and a high level of recognition in manufacturing research, standards, and technology transfer; and a position of third party neutrality.

The FY 1995 base program operating objectives include the following:

- o Put into service a formal measurement service for calibration of industrial step gages used for control of aircraft, automobile, and related production.
- o Develop and transfer technology for rapid measurement of projection x-ray lithography masks based on the Molecular Measuring Machine and electrical test techniques.
- o Construct a prototype factory engineering environment from existing off-the-shelf software tools and computer hardware products.
- o Construct a prototype applications protocol development environment for STEP (Standard for the Exchange of Product Model Data) developers.
- o Integrate active vision into the testbed for intelligent machine systems.
- o Test and evaluate in a production environment a pre-commercial Enhanced Machine Tool controller for machine tools based on the Standard Reference Model Open Systems Architecture.
- o Demonstrate an improvement of at least a factor of two in the accuracy of automobile components by application of major elements of the Quality in Automation project.
- o Demonstrate a tenfold improvement in contouring speed by application of the Enhanced Machine Tool controller.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount
Advanced manufacturing	21	\$18,000	21	\$18,000
Pos/BA	16	15,460	16	15,460
FTE/Obl.				

Advanced Manufacturing (+21 permanent positions, BA +\$18,000,000, Direct Obligations +\$15,460,000, Transfer to WCF +\$2,540,000) - This initiative seeks to assist U.S. industry in the development of the necessary technology, standards, and procedures to establish a healthy, competitive manufacturing base.

Problem Magnitude and Scope:

A strong manufacturing base is vital to America's economic strength. Manufactured goods represent approximately 19 percent of the gross national product (the value of manufacturing shipments is roughly \$3 trillion), and 20 million people, or about 17 percent of the total workforce, are employed in manufacturing industries¹. Furthermore, each 100 new manufacturing positions creates an additional 64 non-manufacturing jobs and supports a population increase of over 200 individuals². A healthy manufacturing base, capable of producing quality, customer-valued products, enables the Nation to compete successfully in international markets. At the same time, a robust manufacturing infrastructure allows the U.S. to sustain its economic growth, maintain a high standard of living, create jobs, and provide a strong national defense.

The United States has an unprecedented opportunity to accelerate the development and application of advanced manufacturing technologies that will be needed to insure future competitiveness in domestic and international markets. These advanced technologies will bring about a dramatic change in how products are manufactured in the future and will support the transition from rigid mass production to flexible manufacturing. Such

¹U.S. Bureau of the Census, Statistical Abstract of the United States: 1993, Washington, D.C., 1993, pp. 409, 443, 743.

²Economic Policy Division, U.S. Chamber of Commerce.

a shift will be driven by increased global competition and major advances in underlying technologies, such as computer hardware and software, wide-band communications, sensors and controls, information processing, and new product and process design techniques.

Failure to seize this opportunity will relegate America to a continuing decline in competitiveness and will reinforce the view that foreign firms are much better at turning new technology into commercially viable products and processes.

An extensive review of technical needs and opportunities undertaken by the FCCSET Advanced Manufacturing Technology Working Group (now operating under the National Science and Technology Council) has identified three high-priority R&D areas for emphasis: (1) Intelligent Manufacturing Cells; (2) Integrated Tools for Product, Process and Enterprise Design; and (3) Advanced Manufacturing Technology Infrastructure'. The need for these particular thrust areas was also verified by an independent industry review panel⁴.

Why NIST:

NIST has a unique mission to support the technology needs of American industry. Included in this mission are NIST roles for assisting in establishing domestic and international standards, leveraging industry's development of commercially important technologies, and assisting smaller firms in the use of state-of-the-art technologies. This initiative will draw upon NIST's responsibilities and capabilities in all of these mission areas. Moreover, the timely development of these technologies is beyond the ability of individual companies or groups of companies to achieve, thus NIST involvement as a source of technology, unbiased catalyst, and deployment agent is required.

Description of the Proposed NIST Technical Program:

This initiative presents an integrated approach to improving the manufacturing competitiveness of U.S. companies by focusing on intelligent manufacturing cells, integrated tools, and advanced manufacturing technology infrastructure. Although these may appear to be independent fields, they are closely interrelated. The integrated engineering tools provide the means to define new products and production systems, while the intelligent manufacturing cells represent the vehicle for the physical realization of these products. The infrastructure elements, coupled with ongoing NIST deployment activities such as the manufacturing extension partnerships, serve as the mechanism for rapidly increasing the utilization of these technologies and other advanced manufacturing concepts within the industry.

Technologies being developed under this initiative include: next generation, highly flexible, sensor-driven, manufacturing systems and equipment for general-purpose and precision machining, test, and inspection; fabrication of components from advanced materials; mechanical assembly; nanofabrication; integrated, computer-based engineering tools designing new or improved products, processes, factories, and enterprises; and a

³"FCCSET Initiatives in the FY 1994 Budget," Supplement to the President's FY 1994 Budget, Office of Science and Technology Policy, April 8, 1993.

⁴"Crafting a Common Manufacturing R&D Agenda," Coalition for Manufacturing R&D, August 1992.

variety of infrastructure elements, such as new technologies for workforce training and education, benchmarking techniques for comparing manufacturing performance, and methods for identifying, monitoring, and responding to important worldwide manufacturing technology developments.

Economic Impacts:

The potential economic impact of this initiative is substantial. It addresses the key factors that determine manufacturing competitiveness: reduced time-to-market, increased product quality and variety, and lower cost. For example, the use of integrated engineering tools can dramatically reduce product development time and costs, which generally results in lower manufacturing costs and increased market share. A cost reduction of one percent of the roughly \$3 trillion manufacturing portion of the GNP would represent a savings of approximately \$30 billion. A recent study concluded that improved manufacturing engineering tools and use of flexible, integrated manufacturing concepts has the potential to reduce total manufacturing costs by approximately 7 percent³⁴. However, the actual benefits could be even larger in terms of greater U.S. market share, both domestic and international, and increased levels of employment for American workers in higher paying manufacturing jobs.

Costs and Benefits:

With funding of \$18,000,000, requested per year, NIST will provide both near-term and long-term results of benefit to industry. For example, first year benefits will derive from infrastructure programs that accelerate the use of appropriate manufacturing technologies with more advanced concepts implemented in two to five years. Integrated systems of engineering tools will be of limited use during the first year but fully available to industry in three to five years. General machining, inspection, and precision fabrication cells will be available in two to three years, with mechanical assembly and nanofabrication cells available in approximately five years.

³⁴- Manufacturing Systems Strategic Plan, " Report of the Manufacturing Systems Committee, Department of Defense, March 1993.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Measurement and engineering research and standards
Subactivity: Manufacturing engineering
Program Change: Advanced manufacturing

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Chemical engineer	15	1	\$69,427	\$69,427
Computer scientist	15	1	69,427	69,427
Electronics engineer	15	1	69,427	69,427
Industrial engineer	15	1	69,427	69,427
Materials engineer	15	1	69,427	69,427
Mechanical engineer	15	1	69,427	69,427
Physicist	15	1	69,427	69,427
Computer scientist	14	1	59,022	59,022
Electronics engineer	14	1	59,022	59,022
Industrial engineer	14	1	59,022	59,022
Mechanical engineer	14	1	59,022	59,022
Physicist	14	1	59,022	59,022
Computer scientist	13	1	49,947	49,947
Electronics engineer	13	1	49,947	49,947
Industrial engineer	13	1	49,947	49,947
Mechanical engineer	13	1	49,947	49,947
Physicist	13	1	49,947	49,947
Electronics engineer	12	1	44,327	44,327
Mechanical engineer	12	1	42,003	42,003
Engineering technician	11	1	35,045	35,045
Physical science technician	11	1	35,045	35,045

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	Number	Total Salaries
Subtotal	21	1,187,254
Less lapse	(5)	(296,814)
Total full-time permanent (FTE) 1995 Pay Adjustment (1.6%)	16	890,440
Total		14,247
		904,687

Personnel Data
Full-time Equivalent Employment:
Full-time permanent

Authorized Positions:
Full-time permanent

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Measurement and engineering research and standards

Subactivity: Manufacturing engineering

Program Change: Advanced manufacturing

Object Class	1995 Increase/ (Decrease) Obligations	1995 Increase/ (Decrease) Budget Authority
11 Personnel compensation	\$905	\$905
11.1 Full-time permanent	905	905
11.9 Total personnel compensation		
12.1 Civilian personnel benefits	261	261
21 Travel and transportation of persons	677	677
22 Transportation of things	108	108
23.3 Communications, utilities and miscellaneous charges	334	334
24 Printing and reproduction	44	44
25.1 Consulting services	0	0
25.2 Other services	103	103
25.3 Purchases of goods and services from Government accounts	895	895
25.5 Research and development contracts	9,421	9,421
26 Supplies and materials	535	535
31 Equipment	177	177
32 Land and structures	0	0
41 Grants, subsidies and contributions	2,000	2,000
99 Direct obligations	15,460	15,460
Transfer to NIST Working Capital Fund		
Total increase requested		18,000

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Quantitative Performance Measures

Cooperative Research

	<u>FY 1994¹</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
- number of cooperative research projects in progress with industry, academia, and government (CRADAs)	36	55	65	75	75	75
- number of new CRADAs signed	11	20	20	20	20	23
- number of research associates and other guest researchers	99	120	140	140	145	160

Research Output

- Methods/Standards						
-- number of new measurement methods/standards under development	60	60	60	60	60	60
- Predictive Models						
-- number of predictive models under development	30	30	30	30	30	30
-- number of predictive models completed	15	15	15	15	15	15

Products/Services

- Standard Reference Materials						
-- number of reference materials under development	4	4	4	4	4	4
-- number of new SRM's introduced	1	1	1	1	1	1
- Calibrations						
-- number of calibrations/tests performed	3,900	3,900	3,900	3,900	3,900	3,900

¹Changes between FY 1994 and FY 1995 reflect anticipated FY 1995 initiative funding.

Manufacturing Engineering
REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
(Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Defense			
Air Force			
Army	\$887	\$887	\$887
Navy	961	961	961
Other	8,998	6,208	6,208
Subtotal, Department of Defense	4,967	4,967	4,967
Subtotal, Department of Defense	15,813	13,023	13,023
Department of Energy	220	220	220
Department of the Interior	71	71	71
National Aeronautics and Space Administration	64	64	64
Postal Service	289	289	289
Department of Transportation	562	562	562
Department of the Treasury	10	10	10
Department of Veterans Affairs	267	267	267
Total, Other Agency	17,296	14,506	14,506
Calibrations and Tests			
Standard Reference Materials (SRM)	1,191	1,191	1,191
Technical and Advisory Services	76	76	76
Technical and Advisory Services	767	768	768
Total, Reimbursable Program	19,330	16,541	16,541

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Chemical science and technology

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base		
	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	
Chemical science and technology	Pos./BA	186	\$19,303	210	\$22,192	210	\$23,871	220	\$32,809	10	\$8,938
	FTE/Obl.	196	19,756	221	22,372	225	23,925	231	30,008	6	6,083
FY 1995 Initiatives included:											
Biotechnology	Pos./BA							7	4,250	7	4,250
	FTE/Obl.							5	2,550	5	2,550
Environmental technologies	Pos./BA							7	4,950	7	4,950
	FTE/Obl.							5	3,795	5	3,795

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Chemical science and technology

<u>Line Item</u>	<u>1993 Actual</u>		<u>1994 Currently Available</u>		<u>1995 Base</u>		<u>1995 Estimate</u>		<u>Increase/ (Decrease) Over 1995 Base</u>	
	<u>Per – sonnel</u>	<u>Amount</u>	<u>Per – sonnel</u>	<u>Amount</u>	<u>Per – sonnel</u>	<u>Amount</u>	<u>Per – sonnel</u>	<u>Amount</u>	<u>Per – sonnel</u>	<u>Amount</u>
Chemical science and technology										
WCF transfers	0	0	0	\$175	0	\$50	0	\$2,905	0	\$2,855
Reimbursable FTE/Obl	174	\$16,210	175	16,214	149	14,716	147	14,716	(2)	0
Total	174	16,210	175	16,389	149	14,766	147	17,621	(2)	2,855

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
CHEMICAL SCIENCE AND TECHNOLOGY

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Goal Statement

The goals of this subactivity are to (1) enhance the competitiveness of American industry by providing appropriate support for industry's development of broad-based, high-risk technologies which promise substantial commercial application technologies and diffusing these advances to users in all segments of the American economy and (2) provide measurements, calibrations, and quality assurance techniques which underpin United States commerce, technological progress, improved product reliability, and manufacturing processes. These efforts support the DoC goal of enhancing technological development and commercialization. The Chemical Science and Technology subactivity achieves these goals by conducting fundamental investigations on measurement based phenomena related to the composition and behavior of chemical and biochemical systems, while developing and improving measurement capability and quantitative understanding of the underlying physical principles of measurement science. The program is built around several continuous activities which are designed to identify industry's most pressing needs and transfer NIST-developed technology to industry quickly and effectively, utilizing joint research programs, the Research Associate program, memberships on standards committees, publications, conferences, seminars, workshops, and CRADAs (Cooperative R&D Agreements).

Base Program

NIST will develop new and improved measurement methods and standards for high accuracy chemical analyses; serve as the National Reference Laboratory, providing the underlying scientific basis and engineering measurement techniques, standards, data on key properties (thermophysical, thermochemical, and kinetic), predictive methods, and calibration and measurement services; and perform research on the structure and behavior of atoms and molecules in isolation, in clusters, and on surfaces. This research will assist U.S. industry to introduce competitive technology in the marketplace and provide advances in chemical measurement science to address the needs of new high technology industries that produce higher value-added specialty chemicals, biochemicals, and components for the microelectronics industry. The measurement methods and reference materials from this program provide the basis for uniform measurements in the chemical, biochemical processing, clinical services, instrument manufacturing, metals-producing, and emerging high technology materials industries, as well as many Federal programs related to environmental pollution, toxic substances, and health services.

The diversity and nature of the required measurement technology and the scope and sizes of the industrial and public sectors involved are such that no single commercial organization has an economic incentive to produce, maintain, and interrelate the measurement methods, reference data, and reference materials, and to support the necessary standards infrastructure. Measurement solutions needed in measurement-intensive industries

require not only NIST's impartial position relative to sellers and buyers but also its position as the Nation's lead agency for measurement, based on its special measurement expertise in this area.

The FY 1995 base program operating objectives include the following:

- o Develop technology for solid-state chemical sensors and microporous media filtration separations; standards and data on kinetic, thermophysical and thermochemical properties of materials, and advanced process analytical techniques. These will meet chemical and related manufacturing industry needs for more efficient and environmentally-sound process technology.
- o Develop data, models, and advanced methods for product recovery, purification and sensing systems for commercial bioprocessing. These will respond to needs for improved control and quality assurance in biomanufacturing processes.
- o Develop advanced analytical technologies, standards, and data for measurement of inorganic and organic species that can serve as benchmarks for the establishment of a national standards infrastructure. This will provide U.S. industry with a greatly improved means of benchmarking these measurements in areas such as process design and improvement as well as in meeting regulatory requirements.
- o Develop advanced image plan detection and analysis schemes to extend trace compositional mapping to full three-dimensional, quantitative compositional mapping. This will improve product performance and reliability, thus enabling them to provide industry with the capability to determine properties and operating characteristics of materials and electronic devices.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount
Biotechnology	7	\$4,250	7	\$4,250
	5	2,550	5	2,550

Pos/BA
FTE/Obl.

Biotechnology (+7 Permanent positions, BA +\$4,250,000, Direct Obligations +\$2,550,000, Transfer to WCF +\$1,700,000) - This increase will allow NIST to develop biotechnology modeling and the measurement and data tools needed by U.S. industry to accelerate commercialization of bioproducts through improved product design, process optimization, and quality assurance for novel food products, environmental applications, human therapeutics, and sensor technology. This will maintain the U.S. competitive advantage in the rapidly-expanding world market for biotechnology-related products, provide continued economic growth in the rapidly expanding sector of the economy, and lead to improved human health care and nutrition.

Problem Magnitude and Scope:

The world's principal economic powers, including the U.S., have identified biotechnology as a key growth technology into the 21st century. The U.S. currently holds a competitive edge due to significant investment in health-related research, but the European Economic Community and Japan have launched major government-supported initiatives to challenge U.S. dominance. While the impact of biotechnology to date has been primarily in health-related areas, as the technology matures there will be significant opportunities for commercialization in other sectors, such as agriculture, environmental remediation, bulk and fine chemical production, fuels, and materials development. It is imperative that U.S. industry have access to critical generic technologies for product development, process simulation and optimization, and quality assurance in order to maintain its leadership position in bringing high-quality products to market.

Why NIST:

Most biotechnology companies are small- or mid-sized and do not have the resources to conduct the generic, interdisciplinary research that is critical to the continued development of quality products at a reasonable price. They are focussed on the near-term problem of bringing new products to market to achieve profitability. NIST can take the long-range approach that will provide the measurement capabilities, data, models,

and standards that will be critical for the continued expansion of the biotechnology sector in the coming decades. NIST traditionally supports industry by developing the generic measurement methods, models, data, and standards needed to accelerate the commercialization of products, to develop efficient and environmentally-sound manufacturing processes, and to ensure product quality and integrity. NIST's contributions are especially important in a highly interdisciplinary and fiercely competitive area such as biotechnology.

Description of the Proposed NIST Technical Program:

Over the last several years, NIST has established a core research capability in biotechnology that includes structural biology, biochemistry, analytical biochemistry, biophysical chemistry, and biochemical engineering. Research in these areas is enhanced by collaborations with other NIST programs in physics, chemistry, engineering, and applied mathematics. Additional leverage is provided through key external collaborations with industry and universities. The proposed NIST program builds on recently established core research capabilities and includes the following two areas:

- Protein engineering for new product design will focus on the analysis of biomolecular structure-function relationships and the development of macromolecules with predetermined properties for use in human therapeutics, bioremediation, biosensing, and biomanufacturing. Unique NIST research facilities, including the Center for Advanced Research in Biotechnology and the Cold Neutron Research Facility, will be used in this effort.
- Bioprocess manufacturing design and optimization will develop advanced methods, data, and models to support commercial bioprocessing, including development of efficient product recovery and purification systems and on-line sensing for product/process control. Measurements, standards, and data will be developed to provide quality assurance in biomufacturing processes and to provide the basis for intercomparability of data in major data collection projects, such as the Human Genome Project. Optically active proteins will be selected for use in the storage and retrieval of information, and methods for their preparation in thin films will be determined.

Economic Impacts:

The sales of U.S. biotechnology products are projected to be \$5.9 billion in 1993 and are expected to increase to more than \$50 billion by the year 2000. According to the Ernst and Young report, BIOTECH 93: Accelerating Commercialization, the biotechnology industry has grown dramatically over the past decade from a handful of companies to more than 1,200 companies at present. This has led to a major increase in jobs from only 5,000 in 1983 to an estimated 80,000 in 1993. (Note: data are for industry only; university/government biotechnology employment is not included.) Support industries provide an additional 50,000 new jobs directly related to biotechnology. By the year 2000, biotechnology industry employment is expected to exceed 500,000. Clearly, biotechnology will be one of the major contributors to U.S. economic growth.

To date, the most significant impact of biotechnology has been in the health care sector, especially in medical diagnostics and human therapeutics. Future growth is expected to impact other areas such as food, energy, agriculture, and chemicals. This growth will be accompanied by a shifting

emphasis from high value-added products for which product and process design and optimization are of secondary importance, to bulk products which require highly efficient manufacturing processes and reliable, inexpensive quality control. The future competitiveness of the U.S. biotechnology-related industry in the world market depends on the development of fundamental scientific and technical principles for the design and optimization of products and efficient, environmentally sound manufacturing processes. This requires long-range planning and investment in both basic and applied interdisciplinary research that is beyond the capabilities of the small- and medium-sized companies that comprise most of the U.S. biotechnology industry and who are striving to compete in today's market.

Cost and Benefits:

With funding of \$4,250,000 requested per year, NIST will initiate major projects that will provide near-term and long-term benefits to critical technologies in U.S. industry. In the first year, the protein engineering program will focus on the establishment of research programs which will have the most substantial impact on the ability of U.S. industry to custom design proteins. These include enzymes that currently do not exist in nature which can be used for novel food product production and environmental and human therapeutic applications. Structural biology standards will be developed and tested, and databases will be formulated for use by structural biologists in protein engineering studies. As the program evolves (two to five years), artificial intelligence will be combined with robotics to design and implement commercial protein crystallization processes. Results in the form of standards, data, software, and algorithms will be transferred to industry throughout the life of the program.

The bioprocess manufacturing program will focus on both near-term measurement technology, which will have an immediate impact on the commercialization of products, as well as longer term technology, which will facilitate the design and control of the entire bioprocess system. In addition, the frontier area of bioelectronics will be studied and exploited for applications in sophisticated sensor technology and optical storage and retrieval applications. These optical systems have important potential civilian and military applications such as high density storage, rapid access CD-ROMs; molecular gates and switches; advanced pattern recognition (e.g., machine vision, artificial retinas); optical data storage and high-speed optical data processing; and advanced displays. In the first two years, the program will produce a computerized database of separation characteristics of major proteins in genetically-engineered soy bean species which will be used by the food industry to evaluate new products and design separation processes. In the long term (three to five years), the program will use biophysical measurement technology for predictive modeling of both upstream and downstream manufacturing processes. This modeling capability is vital for rapid movement from technology development to the marketplace during the industry's scale-up from the research laboratory, through the pilot plant stage, to full-scale production.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Measurement and engineering research and standards
Subactivity: Chemical science and technology
Program Change: Biotechnology

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Chemical engineer	14	1	\$59,022	\$59,022
Research chemist	14	1	59,022	59,022
Research chemist	13	1	49,947	49,947
Chemical engineer	13	1	49,947	49,947
Photobiologist	13	1	49,947	49,947
Physical science technician	11	2	35,045	70,090
Subtotal		7		337,975
Less lapse		(2)		(84,494)
Total full-time permanent (FTE)		5		253,481
1995 Pay Adjustment (1.6%)				4,056
Total				257,537
<u>Personnel Data</u>				
Full-Time Equivalent Employment:				
Full-time permanent		5		
<u>Authorized Positions:</u>				
Full-time permanent		7		

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Measurement and engineering research and standards

Subactivity: Chemical science and technology

Program Change: Biotechnology

Object Class	1995 Increase/ (Decrease) Obligations	1995 Increase/ (Decrease) Budget Authority
11 Personnel compensation	\$258	\$258
11.1 Full-time permanent	258	258
11.9 Total personnel compensation		
12.1 Civilian personnel benefits	74	74
21 Travel and transportation of persons	48	48
22 Transportation of things	30	30
23.3 Communications, utilities and miscellaneous charges	87	87
24 Printing and reproduction	3	3
25.1 Consulting services	0	0
25.2 Other services	42	42
25.3 Purchases of goods and services from Government accounts	123	123
25.5 Research and development contracts	1,767	1,767
26 Supplies and materials	97	97
31 Equipment	21	21
32 Land and structures	0	0
41 Grants, subsidies and contributions	0	0
99 Direct obligations	2,550	2,550
Transfer to NIST Working Capital Fund		1,700
Total increase requested		4,250

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Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount
Environmental technologies	7	\$4,950	7	\$4,950
Pos/BA FTE/Obl.	5	3,795	5	3,795

Environmental Technologies (+7 Permanent positions, BA +\$4,950,000, Direct Obligations +\$3,795,000, Transfer to WCF +\$1,155,000) - NIST will advance the goals of sustainable development by working with U.S. industry to develop advanced technologies in measurement, process analytical techniques, and industrial processes. Through cooperative research agreements with industry and other Federal agencies, necessary reference materials and databases and the associated advanced measurement technologies will be developed and implemented through transfer to the private sector. This will establish and maintain a U.S. leadership role in reducing pollution and preserving critical resources, decreasing energy consumption, as well as enhancing international competitiveness, and securing more jobs and a safer environment.

Problem Magnitude and Scope:

Nearing the end of the twentieth century, we live in an environment under assault from a combination of natural and man-made hazards that threaten both the health of the American public and the economic health of the Nation. Disposal of hazardous chemical, radiological, and biological wastes, ozone depletion and global warming, and ionizing radiation exposure are but a few of the problems draining billions of dollars from the American economy. The solution is a broad-based effort of government, industry, and the public to formulate and apply "environmental technologies" to each of these problems.

With annual sales of \$300 billion, the domestic chemical process industry is the largest manufacturing sector in the U.S. According to a report presented at the 1992 Annual Meeting of the American Association for the Advancement of Science, this industry produces about one-half billion tons of toxic chemical waste per year at a current disposal cost of more than \$40 billion. The impact of processing chemical wastes is driving the industry to examine the entire manufacturing process and to explore options for improving production efficiency and minimizing waste to improve their competitive position. Cleanup costs for existing hazardous waste-disposal sites are approaching \$1 trillion, according to EPA testimony before the House Subcommittee on Investigation and Oversight. The American investment in nuclear defense and electricity has left

a legacy of hundreds of square miles of contaminated lands and tons of radioactive waste; these challenges are shared by many countries which are looking to the U.S. for leadership. An emphasis will be placed on environmental quality control and preventive technologies that are integrated into production systems by changes-in-production processes replacing the end-of-line technologies currently employed. There are several current activities within OSTP, NISTC and DoC to prepare a compilation of technologies needed for environmental management efforts. Green building technologies are needed to reduce environmentally harmful emissions from buildings, to reduce wastes in construction, operation, and demolition, and to provide healthy, comfortable, and productive interior environments. Effective alternatives to environmentally-damaging CFCs and halons are needed to maintain U.S. leadership in important international markets dealing with refrigeration/cooling and fire suppression.

Global decisions involving remediation of atmospheric, terrestrial, and marine pollution, with projected costs of billions or even trillions of dollars, are only as good as the measurements on which they are based. Advanced measurement infrastructure, including critical data, standards, and new technologies, is needed to ensure that fair and economically viable decisions are made and that real environmental hazards are correctly identified and distinguished from "nonproblems."

Why NIST:

Environmental technologies are inherently measurement-intensive. Measurement methods, sensors, reference materials, and evaluated data are central elements in process design and control, waste processing, and all forms of environmental monitoring. The core elements of environmental thrusts have been measurement and remediation. NIST is ideally poised among Federal laboratories to expand this effort to pollution prevention technologies and to provide technical support for U.S. industry's environmental needs. Its mission combines enhancement of the competitiveness of American industry, through technology development, with serving as the lead national laboratory that provides unbiased, authoritative measurements, calibrations, and quality assurance. Improvements in measurement quality will ensure that remediation decisions mandated by pollutant levels are made fairly and that action will be taken only when necessary. In the area of environmental technology, as in all of its research and development programs, NIST sets priorities based on interactions with U.S. industry to determine its measurement and technology needs and to establish and improve national standards. In addition, NOAA's execution of its mission requires the development, assessment, testing, and deployment of mission-specific measurement technologies and the collection, compilation, interpretation, and dissemination of vast amounts of data. NOAA's focused, mission-oriented, environmental technology development and assessment combined with the industrially-focused scientific and technological proficiency at NIST provides a solid foundation for a synergistic relationship. The research and development efforts at NIST draw on more than 25 years of staff expertise in environmental modeling and measurements, encompassing a wide range of activities, including chemical and radioactive waste minimization, energy conservation, air, soil, and water quality, indoor pollution, ozone depletion and global warming, and "green" building design and construction. This broad range of experience will be critical for a successful attack on the generic technological issues encountered.

Description of the Proposed NIST Technical Program:

The proposed NIST program builds on existing strengths in all aspects of research and development in "environmental technologies."

- (1) **Green Manufacturing Technologies:** In-situ measurement capabilities using chemical sensor array technology and advanced process analytical techniques will be developed for waste assessment and minimization in chemical, materials processing, and construction industries. Data and models for optimization of industrial processes to reduce waste and minimize pollutants using strategies like product substitution (e.g., CFC alternatives) will be developed. Generic technologies involving novel process stream separation techniques for pollution prevention and waste minimization will be investigated.
- (2) **Global Environmental Management:** Advanced measurement technologies will be developed to more accurately characterize atmospheric particles and polluted sediments, to identify and characterize pollution sources, and to determine the properties and interactions of chemical species associated with global climate, atmospheric degradation, ozone depletion, and pollution.

Economic Impacts:

The staggering expense of environmental cleanup and remediation makes it imperative that we employ the most advanced measurement technologies to verify the need for mitigation, determine the optimum restoration method, and assess the quality of the environmental restoration. Because measurements will be a significant component of the total cleanup costs, the savings realized by employing the total quality environmental measurement approach being proposed will be significant. Because of the drastically-increased cost of waste treatment and disposal, waste management is now an integral part of the industrial process. A recent DuPont study estimates that implementation of improved process control methods would save \$200-500 million per year, and a two percent savings would translate into a \$5 billion savings to the chemical process industry alone, significantly strengthening their competitive position in the global world market. The 24-nation Organization for Economic Cooperation and Development (OECD) estimates that the world market for environmental equipment and services in 1990 was \$200 billion, and it is expected to grow to \$250 billion by 1997. This market will place an emphasis on environmental quality control and preventive technologies that are integrated into production systems by changes-in-production processes replacing the end-of-line technologies currently employed. These are huge untapped markets that can provide opportunities to U.S. industry both at home and abroad. America can maintain its lead in the world economy by taking the lead to preserve the world environment.

Costs and Benefits:

With funding of \$4,950,000 requested per year, NIST will provide both near-term and long-term results of benefit to industry.

The cost/benefit cycles will vary somewhat between the two technical areas. Early benefits will be derived from the Global Environmental Management efforts, where there is an immediate need for advanced measurement science to support decisions that currently have to be made on a variety of environmental issues. Existing NIST programs in these areas, such as atmospheric pollutant source apportionment and radiological

metrology can be rapidly focused to provide valuable assistance to industry and policy-makers. During this first year of the Global Environmental Management program, the groundwork will also be prepared for the evolution of new measurement technology by the acquisition of needed personnel, equipment, and materials and the development of appropriate cooperative research agreements between interested parties. By the second program year, efforts to develop reference materials and databases should be well underway, and some measurement technologies should be suitable for transfer to the private sector. In the outyears, additional measurement methodology will be developed, particularly for the more advanced technologies that require extended data collection, testing, and development before implementation.

The technology developed in the program area of Green Manufacturing Technologies will take longer to diffuse to the private sector because of the need for retooling in the manufacturing processes. In the first three years, NIST will focus on the development of new sensor technology, process optimization, and generic technologies for waste minimization and pollution prevention. In the outyears, NIST will work to prove cost-effectiveness and reliability so that these technologies are easily implemented in the private sector. Reference data in support of these efforts will be developed in the first and succeeding years, with reference material development starting in the second year. In the long-term, the development of these advanced technologies for process optimization should shorten the time necessary for retooling and will continue to provide valuable assistance to the manufacturing sector.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Measurement and engineering research and standards
Subactivity: Chemical science and technology
Program Change: Environmental technologies

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Chemical engineer	15	1	\$69,427	\$69,427
Mechanical engineer	15	1	69,427	69,427
Research chemist	15	1	69,427	69,427
Chemical engineer	14	1	59,022	59,022
Mechanical engineer	14	1	59,022	59,022
Physical science technician	9	1	28,964	28,964
Subtotal		7		355,289
Less lapse	25 %	(2)		(88,822)
Total full-time permanent (FTE)		5		266,467
1995 Pay Adjustment (1.6%)				4,263
Total				270,730

Personnel Data

Full-time Equivalent Employment:

Full-time permanent 5

Authorized Positions:

Full-time permanent 7

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Chemical science and technology
Program Change: Environmental technologies

Object Class	1995 Increase/ (Decrease) Obligations	1995 Increase/ (Decrease) Budget Authority
11 Personnel compensation	\$271	\$271
11.1 Full-time permanent	271	271
11.9 Total personnel compensation	78	78
12.1 Civilian personnel benefits	87	87
21 Travel and transportation of persons	27	27
22 Transportation of things	87	87
23.3 Communications, utilities and miscellaneous charges	28	28
24 Printing and reproduction	0	0
25.1 Consulting services	89	89
25.2 Other services	219	219
25.3 Purchases of goods and services from Government accounts	2,758	2,758
25.5 Research and development contracts	98	98
26 Supplies and materials	53	53
31 Equipment	0	0
32 Land and structures	0	0
41 Grants, subsidies and contributions	3,795	3,795
99 Direct obligations		
Transfer to NIST Working Capital Fund		1,155
Total increase requested		4,950

Quantitative Performance Measures

Cooperative Research

	FY 1994 ¹	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
- number of cooperative research projects in progress with industry, academia, and government (CRADAs)	40	42	44	44	44	44
- number of new CRADAs signed	10	12	12	10	10	10
- number of research associates and other guest researchers	195	210	210	210	210	210

Research Output

- Methods/Standards						
-- number of new measurement methods/standards under development	50	55	55	55	55	55
- Predictive Models						
-- number of predictive models under development	8	10	10	10	10	10
-- number of predictive models completed	6	8	8	8	8	8

Products/Services

- Standard Reference Materials						
-- number of reference materials under development	35	40	40	40	40	40
-- number of new SRM's introduced	20	25	25	25	25	25
- Calibrations						
-- number of calibrations/tests performed	1,200	1,200	1,200	1,200	1,200	1,200

¹Changes between FY 1994 and FY 1995 reflect anticipated FY 1995 initiative funding.

Chemical Science and Technology
REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
 (Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Defense			
Air Force	\$3,437	\$3,481	\$1,618
Army	746	442	592
Navy	595	454	334
Other	60	60	60
Subtotal, Department of Defense	4,838	4,437	2,604
Department of Commerce	410	386	410
Consumer Product Safety Commission	0	70	0
Department of Justice	50	70	50
Department of Energy	2,116	1,980	2,207
Environmental Protection Agency	1,139	1,437	1,533
Department of Health and Human Services	486	268	441
Department of the Interior	23	57	23
National Aeronautics and Space Administration	1,139	1,082	1,494
Other	59	5	59
Total, Other Agency	10,260	9,792	8,821
Calibrations and Tests	1,322	1,486	1,342
Standard Reference Materials (SRM)	2,069	2,425	2,069
Technical and Advisory Services	2,559	2,511	2,484
Total, Reimbursable Program	16,210	16,214	14,716

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Physics

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base	
	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount
Physics	205	\$26,372	212	\$26,689	212	\$27,828	208	\$27,522	(4)	(\$306)
	216	25,740	228	27,179	228	27,968	224	27,662	(4)	(306)

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Physics

Line Item	1993		1994		1995		1995		Increase/ (Decrease)	
	Per – sonnel	Amount	Per – sonnel	Currently Available	Per – sonnel	Base	Per – sonnel	Estimate	Per – sonnel	Amount
Physics										
WCF transfers	0	0	0	0	0	0	0	0	0	0
Reimbursable FTE/Obl	103	\$15,622	93	\$15,014	93	\$15,161	92	\$15,161	(1)	0
Total	103	15,622	93	15,014	93	15,161	92	15,161	(1)	0

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
PHYSICS PROGRAM

Goal Statement

The goals of this subactivity are to (1) enhance the competitiveness of American industry by providing appropriate support for industry's development of broad-based, high-risk technologies which promise substantial commercial application and diffusing these advances to users in all segments of the American economy and (2) provide measurements, calibrations, and quality assurance techniques which underpin United States commerce, technological progress, improved product reliability, and manufacturing processes. These efforts support the DoC goal of enhancing technological development and commercialization. The Physics program achieves these goals by developing new physical standards, measurement methods, and reference data and pursuing basic and applied research directed toward the needs of industry and the Nation. The program transfers physical standards, measurement methods, and data to the technical community through collaborations, visiting scientist programs, measurement services, workshops, training courses, membership on standards and other technical committees, publications, and seminars.

Base Program

NIST investigates the structure and dynamics of atoms, molecules, nanostructures, and atomic-scale devices, develops high performance electronic, optical, and radiation sensors for industrial applications, and establishes measurement methods and standards for infrared, visible, ultra-violet, x-ray, gamma-ray, electron, and neutron radiation. The program is characterized by strong coupling between basic physics and advances in measurement technology; as such it applies state-of-the-art measurement methods to tests of the fundamental postulates of physics as well as to the development of advanced technologies.

NIST develops and disseminates national standards for time and frequency to meet critical industrial needs in communications (carrier frequency calibration, synchronization of data transmissions), electrical power (power flow monitoring, fault analysis), transportation (air traffic control, railroads, traffic lights), navigation and position location (celestial navigation, oil exploration), as well as for standards laboratories and many military applications. NIST develops and disseminates national standards for optical and ionizing radiation needed by the optical instrumentation, photographic, and optoelectronic industries, by the radiation processing industry, by the nuclear power industry, and by hospitals and pharmaceutical companies for radiation therapy and diagnostics.

NIST generates, evaluates, compiles, and disseminates atomic, molecular, optical, and ionizing-radiation data in response to major national demands in areas such as defense, energy, environment, space, health, lighting, microelectronics, radiation, and transportation. Industry, universities, and other Government agencies need this data to address specific problems in fusion plasma diagnostics, laser development, laser processes, radiation chemistry, chemical kinetics, atmospheric chemistry, x-ray lithography, surface magnetism, and materials science.

This NIST program conducts the kind of high risk research that industry is hard-pressed to support, despite the universal agreement that a strong research base is essential to technical innovation and the survival of our high technology industries. The results of the Physics program are transferred to the technical community through publications, collaborations, measurement and consulting services, and new measurement methods that can be applied to developing improved, high quality products and processes.

The FY 1995 base program operating objectives include the following:

- o Develop laser-based system for monitoring the growth and evaluating the quality of thin films of semiconductor materials deposited by molecular beam techniques. Molecular beam epitaxy is the best way to fabricate many types of thin-film electronic devices and solid state lasers. The laser-based monitoring system will improve the efficiency of manufacturing such devices.
- o Develop technique using laser-focused atomic beams to fabricate ultra-small atomic-scale structures and devices useful for electronic and information storage applications. This is a direct-write method for fabricating submicron structures and avoids the technological limits associated with conventional lithographic manufacturing techniques.
- o Develop optical bench facility for measuring the quality of x-ray optical components and systems used for x-ray lithography of submicron microelectronic devices. High performance x-ray mirrors with high reflectivity, sharp focus, and minimal optical scatter are needed to make reduced images of lithographic masks and to make even smaller microstructures than possible with other lithography techniques. The NIST x-ray optical bench facility is the best in the U.S. for characterizing x-ray optical systems.
- o Develop measurement techniques and standards for determining the molecular structure of reactive complexes near the mid-point of chemical reactions to improve understanding of how chemical reactions proceed and how they might be controlled. Pulsed lasers and microwaves are used as probes to identify the molecular constituents and reactions involved in such processes as the production of alternative refrigerants, the combustion of automobile fuel, and the synthesis of chemically grown materials.
- o Develop new laser and nonlinear optical techniques, especially solid state and diode laser systems, to improve sensitivity, tunability, stability, and economy of laser-based optical systems used for enhanced detection of trace elements, more secure communications, advanced optical and microwave frequency control, and fundamental physical measurements. This research is done in collaboration with industrial partners engaged in the manufacture of commercial laser-based measurement systems.

Cooperative Research

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
- number of cooperative research projects in progress with industry, academia, and government (CRADAs)	10	10	10	10	10	10
- number of new CRADAs signed	4	4	4	4	4	4
- number of research associates and other guest researchers	266	266	266	266	266	266

Research Output

- Methods/Standards						
-- number of new measurement methods/standards under development	100	100	100	100	100	100
- Predictive Models						
-- number of predictive models under development	15	15	15	15	15	15
-- number of predictive models completed	5	5	5	5	5	5

Products/Services

- Standard Reference Materials						
-- number of reference materials under development	14	14	14	14	14	14
-- number of new SRM's introduced	2	2	2	2	2	2
- Calibrations						
-- number of calibrations/tests performed	800	800	800	800	800	800

Physics
REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
(Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Defense			
Air Force	\$3,083	\$2,920	\$3,022
Army	1,488	1,083	1,488
Navy	1,859	1,807	1,859
Other	952	991	922
Subtotal, Department of Defense	7,382	6,801	7,291
Department of Commerce	102	0	102
Federal Emergency Management Agency	15	15	15
Department of Energy	1,949	1,889	1,874
Environmental Protection Agency	0	91	70
General Services Administration	34	34	34
Department of Health and Human Services	379	314	123
National Science Foundation	120	109	11
National Aeronautics and Space Administration	2,065	2,037	2,065
Nuclear Regulatory Commission	228	511	228
Department of Transportation	300	300	300
Total, Other Agency	12,574	12,101	12,113
Calibrations and Tests	728	680	728
Standard Reference Materials (SRM)	220	212	220
Technical and Advisory Services	2,100	2,021	2,100
Total, Reimbursable Program	15,622	15,014	15,161

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Materials science and engineering

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base		
	Per –		Per –		Per –		Per –		Per –		
	sonnel	Amount	sonnel	Amount	sonnel	Amount	sonnel	Amount	sonnel	Amount	
Materials science and engineering	Pos./BA	294	\$35,568	320	\$43,319	320	\$45,313	343	\$61,719	23	\$16,406
	FTE/Obl.	310	37,258	342	44,993	346	45,450	362	60,246	16	14,796
FY 1995 Initiative Included:											
Advanced materials and processing	Pos./BA							29	16,800	29	16,800
	FTE/Obl.							22	15,190	22	15,190

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Materials science and engineering

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base	
	Per — sonnel	Amount	Per — sonnel	Amount	Per — sonnel	Amount	Per — sonnel	Amount	Per — sonnel	Amount
Materials science and engineering										
WCF transfers	0	0	0	\$290	0	\$75	0	\$1,685	0	\$1,610
Reimbursable FTE/Obl	129	\$14,399	115	13,558	115	13,661	113	13,661	(2)	0
Total	129	14,399	115	13,848	115	13,736	113	15,346	(2)	1,610

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
MATERIALS SCIENCE AND ENGINEERING

Goal Statement

The goals of this subactivity are to (1) enhance the competitiveness of American industry by providing appropriate support for industry's development of broad-based, high-risk technologies which promise substantial commercial application and diffusing these advances to users in all segments of the American economy and (2) provide measurements, calibrations, and quality assurance techniques which underpin U.S. commerce, technological progress, improved product reliability, and manufacturing processes. These efforts support the DoC goal of enhancing technological development and commercialization. The Materials Science and Engineering subactivity achieves these goals by addressing the scientific, measurement data, and standards issues that are crucial to industry's success in exploiting the potential technological advantages of advanced materials. This subactivity also contributes to the development of in-process sensors and process technologies which control the transformation of these materials from laboratory curiosities to viable products and to manufacturing processes that consistently yield high quality products at reasonable costs. The research programs are built around several continuous activities designed to identify and address industry's most pressing needs and transfer NIST-developed technology to industry quickly and effectively, including joint research, consortia, the Guest Researcher program, access to unique NIST facilities, memberships on standards committees, publications, conferences, seminars, workshops, and CRADAs (Cooperative R&D Agreements).

Base Program

Technological progress in such diverse fields as communications, construction, energy, and transportation hinge on the development of advanced materials with property and performance characteristics far superior to materials used today. The technological and economic goals of many countries are tied to advances in materials, setting the stage for intense international competition. Annual U.S. shipments of advanced materials and products made from them are currently valued in excess of \$70 billion.

Recent advances in the development of advanced ceramics, metals, polymers, composites, cementitious materials, and the new high temperature superconductors, as well as advanced processing technology for all of these materials, have revealed a few of the future technological possibilities. Examples of these technologies include the ability to microengineer materials to create structures and combinations of elements unknown in nature with properties and phenomena that until recently were unachievable. The challenge is to transform these materials from laboratory curiosities to viable products and manufacturing processes.

NIST is responding to this challenge by addressing the scientific and measurement issues that are crucial to industry's success in exploiting the potential technological advantages of advanced materials. The greatest barrier to industrial utilization of these advanced materials is the lack of process technologies which consistently yield high quality products at reasonable cost. The NIST materials program emphasizes research leading to the development of standards, test methods, reference data and materials, and a scientific understanding of the underlying chemical and physical basis of materials processing, properties, and performance. The FY 1995 Materials Science and Engineering base includes funding for operation of the Cold Neutron Research Facility.

The FY 1995 base program operating objectives include the following:

- o Improve the process model for polymer injection molding by providing improved flow and structural properties data.
- o Establish the feasibility of utilizing capacitance probes and ultrasonic sensors to monitor the sintering of ceramics. Initiate research to improve the understanding of the relationship of process variables to ceramic consolidation and sintering.
- o Develop process sensors to measure and control substrate materials chemistry during manufacturing to improve the reproducibility and reliability of performance properties of these materials for printed wire board (PWB) applications.
- o Develop a mathematical model for predicting the effects of cracks on the elastic properties and permeability of cement-based materials. The model will strengthen understanding of factors affecting the performance of high-performance concrete and contribute to the technical basis for using predictions of service life and mechanical properties in the design of high-performance concrete.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services

INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount
Advanced materials and processing	29	\$16,800	29	\$16,800
	22	15,190	22	15,190

Pos./BA
FTE/Obl.

Advanced Materials and Processing (+29 Permanent positions, BA +16,800,000, Direct Obligations + 15,190,000, Transfer to WCF +\$1,610,000) - This increase will allow NIST to assist U.S. industry in developing and maintaining leadership through research and standards in advanced materials and advanced processing techniques for producing these materials. NIST will play a major role as the Government laboratory participating with industry in bridging the gap between bench scale conception and commercial utilization of advanced materials and advanced processing technologies. NIST will emphasize applied and process integration aspects of the synthesis, processing, and measurement science of relevant materials and process by linking design and data, process optimization, fabrication, and testing.

Problem Magnitude and Scope:

While the United States currently continues to lead in basic research in the materials arena, significant gaps exist in the research and development required to move these new materials from the laboratory bench to the marketplace. Many of these gaps have traditionally been filled by producers of commodity materials; however, a number of factors combine to dictate that for advanced materials these gaps in R&D will be filled only by a coordinated effort of materials producers and users aided by the resources which government and universities can bring to bear on this R&D. These gaps are being addressed by our economic competitors using such coordinated programs and resources. As a result, the once universal leadership role of the United States in segments of the materials field is threatened or surpassed by foreign competitors. The Office of Science and Technology Policy (OSTP) and the Office of Management and Budget have recognized the importance of materials technology in providing greater national security, industrial productivity, and economic growth, and launched a budget crosscut on the Federal effort in materials science and technology. The Clinton Administration has maintained the continuity of focus on materials technology through the National Science and Technology Council (NSTC), its Committee on Industrial Technology (CIT), and the newly created Materials Technology Subcommittee. This effort first began when the Federal Coordinating Council for Science, Engineering, and Technology's (FCCSET) Committee

on Industry and Technology from the previous Administration coordinated the development of an interagency effort which led to a new Presidential initiative, the Advanced Materials and Processing Program (AMPP).

Why NIST:

NIST will work with industry to bridge the gap between bench scale conception and commercial utilization of advanced materials and advanced processing. As the only government laboratory with the primary mission of service to industry, NIST has developed a strategy which involves industry in every stage of the R&D program from planning through execution, to ensure that the technology developed is relevant to industrial needs and to ensure that it is readily transferred to industry. Additionally, NIST has a broad technical base in materials science and technology in the Materials Science and Engineering Laboratory (MSEL), including strong programs in metals, ceramics, and polymers. By coupling the resources of MSEL with those of other NIST laboratories, NIST is in a position to address the widest range of the needs of industry in the materials field. NIST's traditional strengths in measurement science and its associated role in assembling evaluated databases and development of in situ sensors and new test methodology make NIST a critical participant in any program designed to achieve industrial implementation of advanced materials.

Description of the Proposed NIST Technical Program:

The proposed NIST program builds on existing strengths in metals, ceramics, polymers, organic matrix composites, and cementitious materials and extends the areas of technical coverage to include:

- o Accelerating Advanced Materials Commercialization
 - Synthesis and Processing of Advanced Materials
 - Materials Process Integration
- o High Performance Infrastructure Materials

The NIST programs are focused on major priority areas singled out by the AMPP and emphasize applied and process integration aspects of synthesis, processing, and measurement science/characterization of relevant materials. The synthesis and processing program will expand the computational distributed center for materials theory and modeling. The distributed center uses high performance computing and networking technology to combine in real time the expertise of mathematicians and materials theorists from widely scattered locations to solve critical processing and fundamental issues of advanced materials. This effort is closely coupled to NIST's thrust in intelligent processing of materials that focuses on process models, advanced on-line sensors, and expert systems for process control. The program will increase assistance to industry efforts to identify scalable manufacturing technologies for nanostructured materials, a new class of advanced materials with potential applications in impact areas such as energy, information/communications, and aerospace. The process integration program will address the step of readying the material or process for introduction into industrial application. The focus is on integration of materials with design and manufacturing requirements by linking design and data, process optimization, fabrication, and testing. This program will initiate R&D in lightweight metal composites for applications in the transportation industries and in precision machining of advanced materials. The program

will expand R&D in layered ceramic coatings for abusive service conditions and the cost-effective life extension of existing components and in materials for electronic interconnects and packaging in support of industry programs to develop next generation processes and integrated circuit products. The high performance infrastructure materials program will facilitate the acceptance and use of advanced materials and systems for the revitalization of the Nation's infrastructure. Life cycle performance of constructed facilities is critically dependent on the performance and cost-effectiveness of the materials used for construction, renovation, and repair of facilities. High performance concrete and steel and advanced composites offer exciting prospects for eliminating much of the traditional burden of infrastructure deterioration by creating new design opportunities for structural, cladding, and finishing systems.

In support of the NSTC priority of developing an integrated Federal R&D program, NIST has already begun coordinated activities with other Federal agencies in some of the proposed new program areas or has identified additional Federal programs for the development of future coordinated activities that complement the NIST effort. For example, NIST has worked closely with ARPA in the extension of the concepts of intelligent processing of materials to the consolidation of advanced alloys for high performance applications.

Economic Impacts:

The area of advanced materials has been identified as one of the emerging technologies in the DoC report entitled "The Emerging Technologies, a Survey of Technical and Economic Opportunities," issued in the spring of 1990, and in every study on critical technologies by government and private sector organizations. Estimates of the aggregate economic value of advanced materials range widely, but sales may reach \$100 billion in the first decade of the next century. Advanced materials is often the enabling technology without which advances in other manufacturing technologies cannot be implemented. Thus, the economic and societal impact of such materials may only be properly judged by recognizing that leadership in advanced materials technology is a prerequisite to leadership in many other critical technological areas.

Costs and Benefits:

With funding of \$16.8 million requested per year, NIST will provide both near term and long-term results of benefit to industry.

For the past 40 years, the United States has been the world industrial leader, due to its dominant position in science and technology, particularly in materials science and engineering. During the past decade, this position has been rapidly eroding as Western Europe and Japan have assumed an aggressive role in technology development, both for domestic and for export markets. In many areas, including materials, these nations now are fully competitive with, and in some cases surpassing, the United States. There is a strong commitment to industrial growth by all major competitor nations, stimulated by coordinated R&D in which materials science and engineering is a featured element. Indeed, of all industrial areas in which growth is anticipated for the next decade, materials science and technology is ranked along with biotechnologies and computers/information by all nations sampled.

The proposed program ranges from basic to applied developmental work. Industrial benefits from test method and database development can be expected to begin within one to two years from program inception. In other areas such as the application of new, theoretical and computational methodologies to critical technical issues in the synthesis, processing, and characterization of advanced materials, longer term benefits are more likely with development of a new paradigm of inter-institutional cooperation using electronic data transfer.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Measurement and engineering research and standards
Subactivity: Materials science and engineering
Program Change: Advanced materials and processing

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Ceramics engineer	15	1	\$69,427	\$69,427
Materials scientist	15	1	69,427	69,427
Mathematician	15	1	69,427	69,427
Metallurgist	15	1	69,427	69,427
Physical scientist	15	1	69,427	69,427
Physicist	15	1	69,427	69,427
Research chemist	15	1	69,427	69,427
Ceramics engineer	14	1	59,022	59,022
Chemist	14	1	59,022	59,022
Economist	14	1	59,022	59,022
Materials engineer	14	1	59,022	59,022
Materials scientist	14	4	59,022	236,088
Mechanical engineer	14	1	59,022	59,022
Physical scientist	14	2	59,022	118,044
Physicist	14	1	59,022	59,022
Research structural engineer	14	1	59,022	59,022
Materials scientist	13	2	49,947	99,894
Metallurgist	13	1	49,947	49,947
Physical scientist	13	1	49,947	49,947
Physicist	13	1	49,947	49,947

Title	Grade	Number	Annual Salary	Total Salaries
Mathematician	12	1	42,003	42,003
Subtotal		29		1,545,013
Less lapse	25 %	(7)		(386,253)
Total full-time permanent (FTE) 1995 Pay Adjustment (1.6%)		22		1,158,760
Total				18,540
				1,177,300

Personnel Data

Full-Time Equivalent Employment:

Full-time permanent

22

Authorized Positions:

Full-time permanent

29

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Measurement and engineering research and standards

Subactivity: Materials science and engineering

Program Change: Advanced materials and processing

Object Class	1995 Increase/ (Decrease) Obligations	1995 Increase/ (Decrease) Budget Authority
11 Personnel compensation	\$1,177	\$1,177
11.1 Full-time permanent	1,177	1,177
11.9 Total personnel compensation		
12.1 Civilian personnel benefits	340	340
21 Travel and transportation of persons	327	327
22 Transportation of things	92	92
23.3 Communications, utilities and miscellaneous charges	351	351
24 Printing and reproduction	50	50
25.1 Consulting services	0	0
25.2 Other services	367	367
25.3 Purchases of goods and services from Government accounts	2,183	2,183
25.5 Research and development contracts	9,545	9,545
26 Supplies and materials	594	594
31 Equipment	164	164
32 Land and structures	0	0
41 Grants, subsidies and contributions	0	0
99 Direct obligations	15,190	15,190
Transfer to NIST Working Capital Fund		1,610
Total increase requested		16,800

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Quantitative Performance Measures

	FY 1994 ¹	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
<u>Cooperative Research</u>						
- number of cooperative research projects in progress with industry, academia, and government (CRADAs)	115	125	125	125	125	125
- number of new CRADAs signed	25	28	28	28	28	28
- number research associates and other guest researchers	565	575	575	575	575	575
<u>Research Output</u>						
- Methods/Standards						
-- number of new measurement methods/standards under development	45	48	48	48	48	48
- Predictive Models						
-- number of predictive models under development	18	20	20	20	20	20
-- number of predictive models completed	2	3	3	3	3	3
<u>Products/Services</u>						
- Standard Reference Materials						
-- number of reference materials under development	9	10	10	10	10	10
-- number of new SRM's introduced	5	6	6	6	6	6

¹Changes between FY 1994 and FY 1995 reflect anticipated FY 1995 initiative funding.

Materials Science and Engineering
REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
(Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Defense			
Air Force	\$147	\$242	0
Army	565	487	\$595
Navy	1,334	1,164	1,159
Other	1,068	1,242	1,202
Subtotal, Department of Defense	3,114	3,135	2,956
Department of Justice	50	27	23
Department of Energy	2,099	2,005	2,062
General Services Administration	125	81	125
Department of Health and Human Services	656	816	672
Department of the Interior	74	30	74
National Science Foundation	874	874	874
National Aeronautics and Space Administration	1,136	806	845
Department of State	127	127	127
Department of Transportation	768	507	541
Other	2,264	2,098	2,269
Total, Other Agency	11,287	10,506	10,568
Standard Reference Materials (SRM)	598	578	598
Technical and Advisory Services	2,514	2,474	2,495
Total, Reimbursable Program	14,399	13,558	13,661

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Building and fire research

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base	
	Per -		Per -		Per -		Per -		Per -	
	sonnel	Amount	sonnel	Amount	sonnel	Amount	sonnel	Amount	sonnel	Amount
Building and fire research	Pos./BA	101	\$12,070	104	\$12,780	104	\$13,245	102	(2)	(\$155)
	FTE/Obl.	106	11,756	112	13,232	112	13,312	110	(2)	(155)

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Building and fire research

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base	
	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount
Building and fire research										
WCF transfers	0	0	0	0	0	0	0	0	0	0
Reimbursable FTE/Obl	136	\$12,229	130	\$11,829	130	\$11,829	128	\$11,829	(2)	0
Total	136	12,229	130	11,829	130	11,829	128	11,829	(2)	0

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
BUILDING AND FIRE RESEARCH

Goal Statement

The goals of this subactivity are to (1) enhance the competitiveness of American industry by providing appropriate support for industry's development of broad-based, high-risk technologies which promise substantial commercial application and diffusing these advances to users in all segments of the American economy and (2) provide measurements, calibrations, and quality assurance techniques which underpin U.S. commerce, technological progress, improved product reliability, and manufacturing processes. These efforts support the DoC goals of enhancing technological development and commercialization and promoting stewardship of the global environment. The Building and Fire Research subactivity reaches these goals by providing precompetitive and supporting/enabling technologies in which industry typically under-invests because of inability to capture sufficient returns and for which NIST has specialized facilities and expertise. The program is built around several continuous activities which are designed to identify industry's most pressing needs and transfer NIST-developed technology to industry quickly and effectively through mechanisms including joint research, the Research Associate program, memberships on standards committees, publications, conferences, seminars, workshops, and CRADAs (Cooperative R&D Agreements).

Base Program

The Building and Fire Research Laboratory conducts nationally recognized programs in major aspects of construction and fire research.

The building research program works cooperatively with other public and private organizations to improve the usefulness, safety, and economy of constructed facilities and to increase the productivity and international competitiveness of the construction industry. It develops technologies to predict, measure, and test the performance of construction materials, components, systems, and practices. Its programs include structural engineering, materials, mechanical and environmental systems, and computer integrated construction. In the National Earthquake Hazards Reduction Program, established in response to the Earthquake Hazards Reduction Act of 1977, NIST is the principal agency for research and development to improve building codes and standards and practices for structures and lifelines. NIST is studying structural and fire safety systems performance in the January 17, 1994, Northridge, California, earthquake to identify needs and opportunities to improve the seismic performance of buildings, public works, and utilities. NIST studies the emerging concept of green buildings to meet users' needs and exploit the most advanced thinking in design and engineering while using energy efficient and environmentally sound processes and materials. In cooperation with industry, NIST is developing measurement methods to define the performance of advanced thermal insulation systems.

The Building and Fire Research Laboratory also is the foremost fire research laboratory in the United States. The fire research program was established by the Federal Fire Prevention and Control Act of 1974 to reduce the human and economic costs of unwanted fires by providing scientific and technical knowledge on all aspects of fire for the fire protection community. It investigates the scientific principles that govern the phenomena of fire, provides the knowledge base for fire safety, develops the underlying technical support for new safety standards, and generates the engineering methodology to support the practice of fire protection engineering. The fire research program is designed to provide to fire protection engineers, fire investigators, fire service organizations, product manufacturers, state and local officials, standards developers, fire safety educators, and fire researchers the methods of measuring the fire properties of materials, such as ignitability, rate of heat release, flame spread, smoke, and toxicity; engineering tools; and predictive methods to assess the adequacy of performance of fire protection features. These methods will be used increasingly in code equivalency to reduce costs of fire safety, fire investigation, and litigation.

Construction is one of the Nation's largest industries. In 1992 new construction put in place amounted to \$423 billion and provided employment to six million people. Constructed facilities shelter and support most human activities. Their quality affects the competitiveness of U.S. industry and the safety and quality of life of all people. The U.S. fire loss record of 5,500 fire deaths, 80,000 injuries, and \$11.3 billion in direct costs annually is among the worst of industrialized nations. The total cost of fire is increasing in real terms, burdening the economy at \$128 billion per year.

Construction and fire safety comprise a giant but disaggregated industry with small enterprises predominating. Private sector research is limited to development of proprietary products. Shortages of capital for R&D, inadequate interfaces among diverse products and practices, liability concerns, and regulations are barriers to innovation. The NIST program removes technological market barriers and reduces burdens of unnecessary or ineffective regulations while maintaining essential levels of safety. Private sector R&D are stimulated by this program's authoritative, nonprescriptive performance measures for construction and fire safety of materials, components, systems, and practices. It is the principal source of technical information for construction and fire safety standards, which, in turn, are widely used in fire and building codes.

The FY 1995 base program operating objectives include the following:

- o Develop guidelines for estimating liquefaction potential based on system identification approach. Rapid assessment procedure for soil properties is needed to determine liquefaction potential of large areas and to assure improved properties of soil after treatment.
- o Develop mathematical models, based on the microstructural and nanostructural features of cement pastes, of the drying shrinkage and self-desiccation shrinkage of low water/cement ratio pastes. The models are needed to aid the formulation of high-performance concretes with the minimum tendency to shrinkage-induced cracking.
- o Completion of CONTAM, a computer program for predicting the movement of pollutants within the indoor air of buildings. The use of this analysis tool during the design phase of a building project will prevent potential indoor air quality problems by guiding the selection of building furnishings and air distribution systems.

- o Develop and test a second generation fire data base which will accommodate all fire related data for use by anyone who collects or uses data pertaining to building fires. This will provide over Internet data on the flammability of materials and statistical data on fires that are needed by manufacturers to assess the fire impact of new products and fire protection engineers to analyze the fire safety and protection of residential buildings.
- o Develop computational tools for the manufacturers of plastics that constitute a technical basis for their design of a new generation of fire resistant materials which, while retaining their intended-use properties, will be environmentally "green" and low in combustion toxicity.

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
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Cooperative Research

- number of cooperative research projects in progress with industry, academia and government (CRADAs)
- number of new CRADAs signed
- number of research associates and other guest researchers

	12	12	12	12	12	12
	3	3	3	3	3	3
	81	81	81	81	81	81

Research Output

- Methods/Standards
 - number of new measurement methods/standards under development
- Predictive Models
 - number of predictive models under development
 - number of predictive models completed

	14	14	14	14	14	14
	14	14	14	14	14	14
	6	6	6	6	6	6

Products/Services

- Standard Reference Materials
 - number of reference materials under development
- Calibrations
 - number of calibrations/tests performed

	1	1	1	1	1	1
	4	4	4	4	4	4

Building and Fire Research
REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
(Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Defense			
Air Force	\$3,050	\$2,050	\$2,050
Army	656	156	156
Navy	624	424	424
Other	216	216	216
Subtotal, Department of Defense	4,546	2,846	2,846
Consumer Product Safety Commission	473	473	473
Federal Emergency Management Agency	379	779	779
Department of Energy	1,530	2,030	2,030
Environmental Protection Agency	204	204	204
General Services Administration	638	938	938
Department of Health and Human Services	30	30	30
Department of Housing and Urban Development	535	835	835
Department of the Interior	718	718	718
National Aeronautics and Space Administration	288	288	288
Nuclear Regulatory Commission	514	314	314
Department of Transportation	711	711	711
Total, Other Agency	10,566	10,166	10,166
Calibrations and Tests	4	4	4
Technical and Advisory Services	1,659	1,659	1,659
Total, Reimbursable Program	12,229	11,829	11,829

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Computer systems

Line Item	1993		1994		1995		1995		Increase/ (Decrease) Over 1995 Base	
	Actual		Currently Available		Base		Estimate		Per-	
	Per-	Amount	Per-	Amount	Per-	Amount	Per-	Amount	sonnel	Amount
Computer systems	133	\$12,141	258	\$28,881	258	\$30,348	338	\$68,463	80	\$38,115
	140	12,062	238	27,966	269	30,216	328	63,176	59	32,960
	Pos./BA									
	FTE/Obl.									

FY 1995 Initiative included:

Information infrastructure	Pos./BA	83	38,304	83	38,304
	FTE/Obl.	62	33,149	62	33,149

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Computer systems

Line Item	1994										Increase/ (Decrease) Over 1995 Base
	1993 Actual		Currently Available		1995 Base		1995 Estimate				
	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	
Computer systems											
WCF transfers	0	0	0	\$1,230	0	\$200	0	\$5,355	0	\$5,155	
Reimbursable FTE/Obl	190	\$19,717	178	18,994	151	17,416	149	17,416	(2)	0	
Total	190	19,717	178	20,224	151	17,616	149	22,771	(2)	5,155	

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
COMPUTER SYSTEMS

Goal Statement

The goals of this subactivity are to (1) enhance the competitiveness of American industry by providing appropriate support for industry's development of broad-based, high-risk technologies which promise substantial commercial application and diffusing these advances to users in all segments of the American economy and (2) provide measurements, calibrations, and quality assurance techniques which underpin U.S. commerce, technological progress, improved product reliability, and manufacturing processes. The Computer Systems Laboratory (CSL) provides leadership and research in the development of voluntary national and international standards and conformance tests for computers and telecommunication systems by assisting in the writing of specifications and leading standards development activities. CSL supports "open" computer system architectures that integrate different standards and accelerate the adoption of new information technologies. Providing technical guidance to private industry and the Federal government, participating in standards development, fostering implementation agreements among vendors, and developing conformance tests are some of the activities contributing to these goals.

Base Program

Through this subactivity, carried out in CSL, NIST conducts research and provides technical support to Federal agencies and to industry in the effective use of computers and related telecommunication systems. NIST efforts include (1) development and issuance of Federal Information Processing Standards (FIPS) and Guidelines necessary to ensure the efficient and effective acquisition, management, security, and use of information technology by the Federal Government and to preserve the competitive options of American industry in the development of computer and related telecommunication products and services, (2) promotion of the use of FIPS and Guidelines in order to reduce waste, error, and unnecessary duplication in the application of computer systems in the Federal Government, (3) development of critically needed methods to protect information resources in distributed computer and telecommunications systems, and (4) expansion and integration of programs in performance measurement, communications protocols, advanced software and advanced manufacturing application in research and development of the National Research and Education Network (all contribute to the National Information Infrastructure effort).

This subactivity affects both the industry and the users of computers and related telecommunication systems. The U.S. computer and related telecommunications industries have sales of at least \$392 billion per year and maintain a positive trade balance. International competition is becoming increasingly intense. Innovations in computer hardware, software, and digital communications will challenge managers to apply new technology for productivity increases throughout the American economy in the coming years and will have pervasive effects on industry structure

and performance as well as on the quality of government services. Since computers will be distributed throughout the workplace and used generally throughout government and the economy, computer integration, performance assurance, and security will become even more important. The merging of computer and telecommunications technology heightens the importance of an integrated approach to standards development for computer and related telecommunications systems. As the technology changes, it will be essential to find ways to enable organizations to preserve their investments in applications systems, to upgrade existing systems, and to improve the portability of staff skills, data, and software.

The FY 1995 base program operating objectives include the following:

- o Develop conformance tests for equipment designed to meet the proposed Digital Signature Standard and Secure Hash Standard (Federal Information Processing Standard 180). This effort will provide the basis by which the Federal agencies determine that purchased equipment does, in fact, correctly implement the above standards.
- o Develop guidance documents to describe analytical methods for evaluating risks in automated information systems and to provide a structure to assist organizations in applying security risk management techniques throughout a system development life cycle. This effort will provide the basis upon which Federal agencies determine how best to allocate security resources.
- o Develop a standards-based architecture for supporting virtual reality. The architecture will include standards for graphics, database management, and communications. This will provide the basis for an open system environment supporting such applications as simulation, training and education, maintenance, and visualization of designs or the results of scientific research.
- o Publish an Electronic Data Interchange (EDI) Evaluation Guideline, including X.400/mail and X.500/directory applications. EDI allows for the electronic transfer of information and will permit industry and government to conduct business more efficiently. This guideline will assist users in the evaluation of products so that they may select those that best meet their needs.
- o Publish guidelines on Assurance Technology Framework for High Integrity Software and complete the development of a series of technical guidance documents on establishing Open Systems Environment-based Heterogeneous Distributed Systems. These guidelines will address existing and emerging technologies which can be used to assure the reliability and dependability of critical, high integrity software systems whose failure could have serious health, safety, or economic implications.
- o Develop a set of reference materials (test corpora) needed for the commercialization of a limited set of applications of spoken language, image recognition, and text retrieval technologies. These materials will enable the transfer of industry internal research into commercial products expected to significantly expand the computer market because of the ease of the human interface to computers.
- o Develop a set of tools and methods needed to understand the scaling of performance on high speed networks and parallel processors. This set of tools will enable machine designers to understand the performance bottlenecks and advance their product line in computing and communications.

from effectively communicating with some of their clientele without deploying nonstandard technologies. High performance computer systems pose significant challenges in harnessing the hardware; advanced software technologies and algorithms are required to scale processing elements in proportion to problem size. There is very limited experience in developing these tools to control and better utilize new high-performance computer systems.

U.S. manufacturing still trails its competitors in its adoption of computer integrated advanced manufacturing. To increase their competitiveness, U.S. manufacturers are seeking to increase product quality, lower cost of production, and increase the speed with which they can bring innovation to market. They are doing so by introducing advanced manufacturing technologies, most often computer-based. These include design technologies, known as agile manufacturing and concurrent engineering. Accompanying introduction of these technologies is a host of challenges specific to industries and technologies associated with achieving standards-based compatibility of systems.

Why NIST:

The NIST role is built on the agency's well-known, world-class expertise in test and measurement technology, scientific computing, and computer security. NIST's unique mission for infrastructure support of industry (measurements, standards, data focus) and interdisciplinary laboratory expertise draws on a broad array of world-class technical research and facilities from computers and materials to manufacturing and electronics. Commercial development and deployment requires standards produced with industry participation. NIST is well-recognized for using its impartial, third-party objectivity to help U.S. industry reach consensus on such standards, drawing on its 90-year history of working cooperatively with industry, government, and universities for economic growth and development. Through organizations like the Open Systems Implementor Workshop and the North American ISDN Users' Forum (which NIST helped to establish in 1988), NIST had developed powerful mechanisms for users and builders of information systems to work together to create networks that meet everyone's needs. The High Performance Computing and Communications (HPCC) Program, the High Performance Computing Act of 1991, and legislation pending before Congress (S.4 and H.R. 820) assign key roles and specific responsibilities to NIST.

Description of the Proposed NIST Technical Program:

This initiative will accelerate the commercialization of new information technologies by enabling NIST to expand its research and development program in areas related to high-performance computing and high-speed networking for manufacturing applications. It will expedite standards development and measurement methods and capabilities for electronic networking, including those necessary for deployment of the NREN; product data exchange; electronic commerce; flexible computer-integrated manufacturing; multimedia and hypermedia systems technology; and the accuracy needed for advanced industrial quality control instruments. Essential related areas include advanced algorithms and performance measures for high performance computing systems and planning and deployment of open systems and ISDN protocols. NIST will expand its efforts to publish standards reference data and other information via networking technology and initiate R&D in integrated software engineering tools for distributed systems and management of distributed systems. Due to the complementary nature of their missions and ISDN related efforts, NIST and NTIA continue to collaborate with each other, and with other Federal agencies, in the Federal Networking Council, the North American ISDN Users Forum, standards bodies, and appropriate fora.

The Advanced Manufacturing Systems and Networking Testbed (AMSANT) will be extended at NIST to (1) test high performance computer and networking hardware and software to determine their suitability for use within the U.S. manufacturing community, (2) assist industry in the development and implementation of voluntary consensus standards, and (3) serve as a demonstration site where industrial technology suppliers and users can identify and overcome barriers to successful, cost-effective implementation of these systems. Specific applications may include design technologies for fiber/textile/apparel production, process integration for advanced materials manufacture, electronic components packaging, integrated product/process design, process modeling, and simulation.

Research and testing conducted at the NIST AMSANT will build upon existing laboratory capabilities at NIST to test equipment, software, and systems, including development and implementation of strategies to perform the needed software, mechanical, electronic, electro-optical, and optical testing on appropriate network and manufacturing equipment. Techniques to verify the performance and interoperability of software will also be developed, along with system tests to assure functionality, speed, and reliability. NIST will work with U.S. industry to develop the necessary hardware, software, and systems integration methods required to successfully implement advanced manufacturing systems utilizing high-performance computing and networking technologies within the United States.

NIST will establish a center emphasizing semiconductor metrology to provide the measurement infrastructure for domestic semiconductor manufacturers to fabricate products which are competitive on the world market. This center will conduct metrological research and development at NIST; coordinate metrological work among the cooperating government laboratories; facilitate collaborations, CRADAs, and technology transfers; and act as the industry's focal point for metrology within the government.

Economic Impacts:

The U.S. information technology industry is a \$392 billion industry. NIST's program will enable technology advances within the information technology and manufacturing sectors of the economy. Consequently, each activity has a multiplicative effect on other advances in science, engineering, and industry because of the application of computing and communications technologies to other economic sectors. For example, advanced software technology for high performance computing systems will enable more efficient use of these systems, along with faster market penetration of high-performance computing systems. Use of these systems and advanced software technology enables computer-aided design of drugs and chemical processes, advanced materials, advanced manufacturing processes, and more fuel efficient automobiles and aircraft. A National Academy of Engineering study of the effect of integration of manufacturing systems by means of standard data interfaces reports increases in quality of 200-500 percent, decreases in design costs of 20-50 percent, and reduction in lead times of 30-60 percent. Concurrent engineering results in lower cost, less waste, higher quality, and more timely delivery to market. The cost of systems integration in manufacturing systems has reached \$4 billion and is growing. The development of system integration technologies with standard interfaces will allow this approach to be extended to multi-enterprise environments. Government is dependent upon open standards for new procurements to make it more effective and efficient; e.g., DoD is expected to save billions over the next five years by deploying standards-based systems.

Testing of complex integrated circuits represents 30 percent of the cost of their manufacture, according to industry estimates. The improved measurement technology resulting from this initiative will not only reduce testing cost but will also permit industry to improve the performance,

quality, and reliability, and thus the competitiveness, of its products. Improved competitiveness is significant because the world market for computing and networking products is large. For example: the semiconductor market was \$69 billion in 1990; the computer market was \$107 billion in 1991; the microwave equipment market was \$61 billion in 1992; and the optical-fiber communications market was \$4 billion in 1992.

Collectively, the results of this program will assist U.S. industry in the application of information technologies by establishing performance-based test and measurement techniques to encourage rapid improvement of the technology, to permit interoperability of hardware and software from various vendors, and to stimulate the export of U.S. products.

Costs and Benefits:

Over the first five years of the initiative, prototype facilities will be constructed that will demonstrate how systems integration technologies can be effectively utilized for concurrent engineering practices. By the end of the first year, information models for the required interfaces for specified manufacturing systems will be developed. By the second year, prototype interfaces to the manufacturing systems that utilize the models will be demonstrated. Mature, scalable software requires two to three years of development. By the third year, a conformance testing service will be available so that manufacturing application vendors will be able to market systems that conform to the standards defined for systems integration. By the fifth year, standards for the use of shared database technology with manufacturing applications will be available that will allow for the effective use of concurrent engineering methods. The research will also produce reference model architectures, metrics, and performance measures for advanced manufacturing processes and networks. In addition, a variety of manufacturing information will be made available via a sophisticated electronic library. The research will lead to improved networks at each level of deployment, including increased stability and availability of additional services. The U.S. electronics and opto-electronics industries have established road maps indicating the advances necessary to remain competitive in U.S. and world markets throughout the 1990s. This initiative will provide some of the key measurement technology to permit these advances.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Measurement and engineering research and standards

Subactivity: Computer systems

Program Change: Information infrastructure

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Computer scientist	15	11	\$69,427	\$763,697
Electrical engineer	15	4	69,427	277,708
Electronics engineer	15	5	69,427	347,135
General engineer	15	1	69,427	69,427
Mathematical statistician	15	2	69,427	138,854
Mathematician	15	2	69,427	138,854
Mechanical engineer	15	4	69,427	277,708
Physicist	15	4	69,427	277,708
Research chemist	15	1	69,427	69,427
Chemist	14	1	59,022	59,022
Computer scientist	14	10	59,022	590,220
Computer specialist	14	3	59,022	177,066
Electronics engineer	14	5	59,022	295,110
Mathematical statistician	14	1	59,022	59,022
Mathematician	14	3	59,022	177,066
Mechanical engineer	14	4	59,022	236,088
Physical scientist	14	2	59,022	118,044
Physicist	14	2	59,022	118,044
Research chemist	14	1	59,022	59,022
Systems analyst	14	2	59,022	118,044
Chemical engineer	13	2	49,947	99,894
Computer scientist	13	6	49,947	299,682

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Electrical engineer	13	1	49,947	49,947
Electronics engineer	13	1	49,947	49,947
Industrial engineer	13	2	49,947	99,894
Mechanical engineer	13	2	49,947	99,894
Physicist	13	1	49,947	49,947
Subtotal		83		5,116,471
Less lapse	25 %	(21)		(1,279,118)
Total full-time permanent (FTE) 1995 Pay Adjustment (1.6%)		62		3,837,353
Total				61,398
				3,898,751

Personnel Data

Full-time Equivalent Employment:

Full-time permanent

62

Authorized Positions:

Full-time permanent

83

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Measurement and engineering research and standards

Subactivity: Computer systems

Program Change: Information infrastructure

Object Class	1995 Increase/ (Decrease) Obligations	1995 Increase/ (Decrease) Budget Authority
11 Personnel compensation	\$3,899	\$3,899
11.1 Full-time permanent	3,899	3,899
11.9 Total personnel compensation	1,126	1,126
12.1 Civilian personnel benefits	372	372
21 Travel and transportation of persons	327	327
22 Transportation of things	1,379	1,379
23.3 Communications, utilities and miscellaneous charges	76	76
24 Printing and reproduction	0	0
25.1 Consulting services	6,052	6,052
25.2 Other services	2,243	2,243
25.3 Purchases of goods and services from Government accounts	7,551	7,551
25.5 Research and development contracts	850	850
26 Supplies and materials	379	379
31 Equipment	0	0
32 Land and structures	8,895	8,895
41 Grants, subsidies and contributions	33,149	33,149
99 Direct obligations		
Transfer to NIST Working Capital Fund	5,155	5,155
Total increase requested	38,304	38,304

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Cooperative Research

	<u>FY 1994¹</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
- number of cooperative research projects in progress with industry, academia, and government (CRADAs)	46	51	51	51	51	51
- number of new CRADAs signed	5	5	5	5	5	5
- number of research associates and other guest researchers	41	45	45	45	45	45

Research Output

- Methods/Standards

-- number of new measurement methods/standards under development

	17	20	20	20	20	20
--	----	----	----	----	----	----

Products/Services

- Standard Reference Materials

-- number of reference materials under development

-- number of new SRM's introduced

	0	0	0	0	0	0
	0	0	0	0	0	0

¹Changes between FY 1994 and FY 1995 reflect anticipated FY 1995 initiative funding.

Computer Systems
REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
(Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Defense			
Air Force	\$1,916	\$1,241	\$1,141
Army	1,100	913	917
Navy	532	584	608
Other	9,771	9,695	9,569
Subtotal, Department of Defense	13,319	12,433	12,235
Department of Agriculture	39	39	0
Department of Commerce	385	273	0
Department of Justice	792	808	992
Department of Education	23	23	23
Department of Energy	57	30	0
Environmental Protection Agency	220	270	220
General Services Administration	373	405	167
Department of Health and Human Services	286	334	1
Department of the Interior	180	180	180
National Science Foundation	47	53	153
National Aeronautics and Space Administration	185	235	285
Nuclear Regulatory Commission	310	310	310
Postal Service	4	54	4
Department of State	158	158	158
Department of the Treasury	1,503	1,485	784
Department of Veterans Affairs	295	313	413
Other	39	39	39
Total, Other Agency	18,215	17,442	15,964
Standard Reference Materials (SRM)	17	17	17
Technical and Advisory Services	1,485	1,535	1,435
Total, Reimbursable Program	19,717	18,994	17,416

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Applied mathematics and scientific computing

Line Item	1994				1995				Increase/ (Decrease) Over 1995 Base	
	1993		Currently Available		1995 Base		1995 Estimate			
	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount
Applied mathematics and scientific computing	69	\$6,779	71	\$6,951	71	\$7,367	70	\$7,271	(1)	(\$96)
FTE/Obl.	72	6,689	77	7,140	77	7,403	76	7,307	(1)	(96)

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Applied mathematics and scientific computing

Line Item	1993		1994		1995		1995		Increase/ (Decrease) Over 1995 Base	
	Per-	Amount	Per-	Amount	Per-	Amount	Per-	Amount	Per-	Amount
	sonnel		sonnel		sonnel		sonnel		sonnel	
Applied mathematics and scientific computing										
WCF transfers	0	0	0	0	0	0	0	0	0	0
Reimbursable FTE/Obl	18	\$1,978	21	\$2,155	19	\$1,088	19	\$1,088	0	0
Total	18	1,978	21	2,155	19	1,088	19	1,088	0	0

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
APPLIED MATHEMATICS AND SCIENTIFIC COMPUTING

Goal Statement

The goals of this subactivity are to (1) enhance the competitiveness of American industry by providing appropriate support for industry's development of broad-based, high-risk technologies which promise substantial commercial application and diffusing these advances to users in all segments of the American economy and (2) provide measurements, calibrations, and quality assurance techniques which underpin U.S. commerce, technological progress, improved product reliability, and manufacturing processes. These efforts support the DoC goal of enhancing technological development and commercialization. The Applied mathematics and scientific computing subactivity supports these goals by collaborating with NIST scientists and engineers in theoretical and experimental investigations of emerging technologies that require advanced mathematical, statistical, and computational methods; by conducting joint research with industry, universities, and other NIST laboratories; by working with Research Associates and standards committees; and by developing publications, seminars, workshops, conferences, and general-purpose software. Many of these efforts are conducted as integral parts of industrial outreach activities based in other NIST laboratories.

Base Program

The Computing and Applied Mathematics Laboratory (CAML) ensures that the best and most appropriate techniques in mathematical modeling, statistics, numerical analysis, and scientific computing are made available to and used by staff in the NIST laboratory-based programs and their collaborators in industry. The program helps certify the accuracy and integrity of NIST technical data and helps validate NIST scientific experiments and measurement services.

The program has a substantial impact on the efficiency and productivity of all NIST laboratory-based programs and their interactions with users of NIST services. Unique statistical methods developed in the program provide essential assurance that NIST technical projects produce results which are both accurate and well-documented. Specialized techniques in numerical analysis and mathematical modeling allow NIST scientists and engineers to exploit theoretical and experimental developments at the forefront of science and technology. Expertise in scientific computing enables technology-driven improvements in computer hardware and software to be incorporated into the advanced scientific computing environment at NIST. The maintenance of this environment by the Applied mathematics and scientific computing subactivity provides for more efficient use of computers for data acquisition, analysis, computations, and management services and provides access to modern techniques of computer graphics and scientific visualization.

Direct involvement with Institute programs allows NIST mathematicians, computer scientists, and statisticians to identify needs common to many application areas and to develop special tools and methods to meet these needs. These include, for example, systems for the classification and management of general-purpose mathematical software that are used nationwide at supercomputer centers that serve scientific and engineering research laboratories and are used in the President's HPCC initiative.

Cooperation with scientists from MSEL and EEEL resulted in the development of advanced mathematical modeling techniques for highly nonlinear partial differential equations with moving boundaries which are crucial for the analysis, characterization, and evaluation of semiconductor materials and advanced composites.

The basic mathematical capabilities developed under this program enhance NIST services to industry and other government agencies, provided in partnership with other NIST technical groups. For example, in cooperation with the Chemical Science and Technology Laboratory, CAML mathematicians have developed a mathematical model of an ultra-low temperature device that has enabled engineers at Hughes, Lockheed, TRW, and other companies to reduce dramatically the cost associated with developing such devices for applications to medical imaging and infrared detectors.

The FY 1995 base program operating objectives include the following:

- o Develop the basis and preliminary algorithms for molecular beam epitaxy (MBE) modeling for use in developing advanced manufacturing methods for integrated circuits.
- o Design and implement algorithms to predict the microstructure of superalloy materials for evaluation of precision casting of novel materials proposed for use by the aerospace industry, e.g., in turbine blades.
- o Develop a new integrated software module for edge-point location and robust fiber-geometry estimation from video images for use in optical fiber quality control.
- o Develop new methodology for statistical interval estimation needed for evaluating the reliability of advanced measurement systems that must be described by complex statistical models.

Quantitative Performance Measures

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
<u>Cooperative Research</u>						
- number of cooperative research projects in progress with industry, academia, and government (CRADAs)	1	1	2	2	2	2
- number of new CRADA's signed	2	2	2	2	2	2
- number of research associates and other guest researchers	17	17	17	17	17	17
<u>Research Output</u>						
- Methods/Standards						
-- number of new measurement methods/standards under development	2	2	2	2	2	2
- Predictive Models						
-- number of predictive models under development	31	31	31	31	31	31
-- number of predictive models completed	14	14	14	14	14	14

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Applied Mathematics and Scientific Computing
 REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
 (Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Defense			
Army	\$57	\$25	\$25
Navy	70	0	0
Other	748	907	0
Subtotal, Department of Defense	875	932	25
Department of Agriculture	17	17	17
Department of Commerce	652	652	652
Department of Justice	13	0	0
Department of Energy	194	235	210
General Services Administration	43	97	0
Department of Health and Human Services	65	103	65
Total, Other Agency	1,859	2,036	969
Technical and Advisory Services	119	119	119
Total, Reimbursable Program	1,978	2,155	1,088

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Technology assistance

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base	
	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount	Per-sonnel	Amount
Technology assistance										
Pos./BA	86	\$8,522	94	\$10,965	94	\$10,087	106	\$14,667	12	\$4,580
FTE/Obl.	89	9,483	99	11,111	100	10,132	108	14,522	8	4,390

FY 1995 Initiative included:

International trade, standardization, and measurement services	Pos./BA	14	4,700	14	4,700
	FTE/Obl.	10	4,510	10	4,510

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Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Technology assistance

Line Item	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base	
	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount
Technology assistance										
WCF transfers	0	0	0	0	0	0	0	\$190	0	\$190
Reimbursable FTE/Obl	165	\$18,772	179	\$19,607	192	\$20,600	191	20,600	(1)	0
Total	165	18,772	179	19,607	192	20,600	191	20,790	(1)	190

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
TECHNOLOGY ASSISTANCE

Goal Statement

The goals of this subactivity are to (1) contribute to the development of strategic and emerging technologies affecting U.S. competitiveness by providing generic technologies and supporting technologies that help U.S. industry increase productivity, quality, and rates of commercialization and (2) promote the development and application of science and technology in U.S. industries. This subactivity achieves the goals by providing the scientific and technical community of U.S. industry with linkages and accessibility to national and international standardization activities and standards of measurement themselves. These linkages are crucial to our Nation's efforts to compete in foreign markets and support the DoC goal to open and expand foreign markets and increase U.S. exports.

Base Program

The programs under this subactivity provide a central source of information and leadership for U.S. industry regarding national and international standardization activities and issues concerned with attestation of conformity, including product testing and certification. They also offer industry central access to standard reference materials, standard reference data, and calibrations, and therefore traceability to national and international standards of measurement.

NIST operates the National Center for Standards and Certification Information and provides technical assistance to government, industry, and the public on standards-related issues affecting trade. NIST monitors the work of nearly 120 standards committees and manages U.S. participation in the International Organization of Legal Metrology (OIML), especially with respect to those committees (nearly half of the total) in which U.S. Government and industry representatives participate (or chair). In addition, NIST recently initiated a program of placing technical experts at key U.S. embassies and missions to enhance the flow of international standards information to U.S. industry while promoting overseas adoption of U.S. standards technology. NIST also works closely with the National Conference on Weights and Measures (NCWM) to assure uniformity throughout the United States, as well as technical validity of various laws and regulations governing packaged goods and measurement devices such as scales, gasoline pumps, taxi meters, and fuel oil meters.

NIST provides critically evaluated data on physical and chemical properties of materials to scientists, engineers, and the general public. It assesses needs for reliable data in industry, government, and universities and coordinates NIST data activities with those of other government agencies, private organizations, and international bodies. Recommended data are disseminated through publications, computer-readable databases, and reference services tailored to user bodies. A portion of this function is fee-supported.

NIST assures accurate and compatible measurements through the development, certification, and distribution of standard reference materials (SRMs) and produces SRMs for use in (1) industrial production and quality assurance, (2) environmental analysis, (3) health measurements, and (4) basic measurements in science and metrology. NIST coordinates its SRM activities with those of the private sector, other Federal agencies, and other nations, including programs with the American Society for Testing and Materials, the International Organization for Standardization, the American Association for Clinical Chemistry, the International Union of Pure and Applied Chemistry, and the European Economic Community. Ninety percent of this function is fee-supported.

Through this subactivity, NIST coordinates industry and other agency access to its 500 different physical calibration and measurement assurance programs; provides assistance to NIST technical staff on physical measurement quality control and experimental design; develops policies and establishes priorities for fee-supported physical measurement services and evaluates the effectiveness of dissemination mechanisms; and provides a single point of contact with organizations outside NIST having requirements for measurement services, such as the National Conference of Standards Laboratories and the Calibration Coordination Group in the Department of Defense.

NIST provides fee-supported accreditation to testing laboratories based on evaluation of their technical qualifications and competence to perform certain types of tests in specified fields. NIST is responsible for designing, implementing, and accrediting conformance testing in 10 major testing fields with 26 subfields, ranging from fasteners to telecommunications. Currently, about 1,000 laboratories are accredited. The accreditation program is utilized by Federal, state, and local governments and by commercial manufacturers, and it is available to domestic and foreign laboratories to provide unbiased evaluation and recognition of testing performance.

The FY 1995 base program operating objectives include the following:

- o Provide information on standards-related subjects and technical support to the public, for U.S. trade related discussions with Mexico and Canada, and promote U.S. standards technology overseas.
- o Support government agencies and the private sector with respect to standards, testing, and certification issues associated with developments in the European Community.
- o Maintain current handbooks for use by state weights and measures officials and implement a plan for international acceptance of National Type Evaluation Program Certificates of Conformance through the International Organization of Legal Metrology Pattern Approval Plan.
- o Develop standard reference materials.
- o Develop standard reference data.
- o Develop calibrations and a calibration laboratory accreditation program.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Base		1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
International trade, standardization, and measurement services	14	\$4,700	14	\$4,700	14	\$4,700
Pos/BA FTE/Obl.	10	4,510	10	4,510	10	4,510

International Trade, Standardization, and Measurement Services (+ 14 Permanent positions, BA + \$4,700,000, Direct Obligations + \$4,510,000, Transfer to WCF + \$190,000). - This initiative seeks to open and expand foreign markets, increase exports, and enhance technological development and commercialization in the U.S. through a coordinated and comprehensive measurement services, information, and standards program. NIST measurement and standards experts work closely with the members of the Foreign Commercial Service (FCS), with the U.S. Science Counselors, and with U.S. Business Councils, U.S. Chambers of Commerce, and organizations of the host governments in key foreign posts to influence the adoption of U.S. technology into the measurement systems of our trading partners and into the international standards process. NIST makes a special effort to inform U.S. industry in foreign markets about the technical support, especially in measurements and standards, available from NIST. NIST will train members of the FCS, Department of State Science Counselors, and influential members of our trading partners' standards organizations. NIST will also establish a networked database of U.S. and international standards projects as a unique source of information critical to the development of technology and trade in international markets.

Problem Magnitude and Scope:

Manufacturers face increasing competition domestically and in world markets as other countries adopt standards and conformity assessment procedures that differ from those in the U.S. Technical experts from the U.S. do not participate sufficiently in the development of these standards since many government agencies and business enterprises, especially those of small- or medium-size, lack the information and resources needed to ensure the best technical contributions to crucial developments affecting world trade. The relationship of standards and conformity assessment to international trade has been the focus of a series of reports by the Congressional Research Service over the past 20 years, a study on Global

Standards performed by the Office of Technology Assessment, and several hearings conducted by Congressional Committees and the Department of Commerce. These hearings and reports have highlighted inadequate and decreasing participation in international standardization and conformity assessment activities. The country of origin of measurement methodology and of instrumentation used in the countries of our trading partners has a strong influence on major equipment import decisions; somebody trained on one country's test equipment tends to endorse major purchases from that same country. Our competitors are addressing this vigorously, and NIST needs to focus on this avenue of trade promotion as well. Without significant improvement in all aspects of information, training, and communication of a coordinated U.S. viewpoint, and without the transfer of U.S. technology to standards and practices of measurements used throughout the world, we are likely to face further impediments to our export efforts.

Why NIST:

NIST has long been the focal point for measurements and standards that support the U.S. economy. NIST provides services, assistance, and information on calibrations, legal metrology, documentary standards, laboratory accreditation and other forms of conformity assessment. NIST is the country's premier measurement laboratory with a broad range of services and collaborations with U.S. industry. NIST sponsors the National Conference on Weights and Measures and accredits the state Weights and Measures laboratories, participates in the Administration's inter-agency Trade Policy Coordinating Committee, operates the National Center for Standards and Certification Information (the GATT inquiry point), and monitors U.S. participation in U.S. and international standards organizations. NIST maintains close relations with the major standards laboratories around the world and conducts pilot programs of standards assistance for the Saudi Arabia Standards Organization (SASO). NIST cooperates closely with the International Trade Administration and all the major standards development groups in the U.S. and abroad. NIST has a long history of developing and transferring measurement techniques for industrial applications for U.S. companies and for adoption abroad and frequently responds to requests from foreign governments for technical assistance on standards and measurements.

Description of the Proposed NIST Technical Program:

The standards assistance program has already demonstrated success in Saudi Arabia and the European Community. This program will be extended to other areas with great potential for trade: Russia, Czech Republic (also serving other CIS countries), Mexico, India, China, Japan, Korea, Argentina (also serving other South American countries), Switzerland (for the United Nations Economic Commission for Europe), and France (for the Organization for Economic Cooperation and Development). Working with the Assistant Secretary for International Economic Policy, the Director General of the U.S. Foreign Commercial Service, the Department of State, and the U.S. Chamber of Commerce, NIST will provide technical inputs to influence the adoption of U.S. technology into measurement practices, standards and conformity assessment procedures in these countries. These inputs will be provided by NIST experts visiting foreign countries to provide consultations and training, by experts stationed at foreign posts, and by foreign technologists coming to NIST and to U.S. voluntary standards organizations for training. NIST will expand its training of FCS officers and Science Counselors on the impact of measurements and standards on foreign trade. NIST will cooperate with FCS and Science Officers on the exchange of technical information on developments in the field of legal metrology, standards, conformity assessments, standard reference materials, and standards reference data.

NIST will collaborate with U.S. standards developing organizations on establishing a computerized database for international standards projects and legal metrology activities. The system will permit the operation of bulletin boards and the exchange of drafts and revisions of standards under development, and it ultimately will permit the dissemination of commercially available standards with full copyright safeguards. This system will be linked with other databases maintained by U.S., international, or foreign organizations and will be part of the main NIST technical information resource.

NIST will provide technical assistance to the (U.S.) states. Weights and Measures offices to expand their capabilities for providing measurement services to industry and for serving as accredited calibration laboratories supporting trade. NIST will seek international recognition for state Weights and Measures laboratories and offices participating in the international type approval process for measuring instruments. NIST will expand the training of state Weights and Measures officials and will extend this training also to foreign metrologists.

Economic Impacts:

The issues of standards and conformity assessment are of increasing concern and importance in the international marketplace. The harmonization of international standards and conformity assessment practices will have a significant impact on the U.S. economy and, with proper input of U.S. expertise, will enable U.S. industries to compete effectively in key markets. "User-friendly" access to standards information will better ensure a level playing field for all U.S. industry, both large and small.

There is increasing demand in international trade for calibrations and conformity testing performed by accredited laboratories. The state Weights and Measures laboratories are already accredited for a range of practical measurements. The planned improvement of their capabilities will provide U.S. industry with ready access to a broader range of measurements recognized internationally. The expansion of this process to more sophisticated measurements and measurement services by NIST will increase the acceptance of U.S. technology and concepts, markedly influencing the acceptability of U.S. products in world markets. The potential harmonization of standards and conformity assessment practices, especially if in accordance with those already current in this country, will enable U.S. companies to compete effectively with foreign producers. Major increases in trade can be expected from the presence of U.S. standards experts in key market areas, not only from their direct inputs to technical programs, but also through their efforts to resolve technical barriers affecting U.S. imports into those countries. At meetings of the Standards Working Group under the U.S.-Russia Business Development Committee, standards-related information has been eagerly sought and accepted from U.S. experts and has already led to provision of U.S. documents to the Russians, arrangements for visits by technical experts, discussions for accepting U.S. testing results, and cultivation of a potentially fertile market for U.S. products.

The computer-accessible standards database will significantly reduce the high costs of obtaining vital information, thereby serving the needs of both small and large business firms and U.S. Government agencies. Uniform data protocols for the informational network will enhance the quality and efficiency of services, with timely exchange of information about domestic and foreign requirements leading to competitive reactions in the design, production, and sales of U.S. products, including metrological devices.

Costs and Benefits:

With funding of \$4,700,000, NIST will provide both near-term and long-term results of benefit to industry. Experts will be recruited to provide technical inputs to influence the adoption of U.S. technology into measurement practices, standards, and conformity assessment procedures in Russia, Czech Republic (also serving other CIS countries), Mexico, India, China, Japan, Korea, Argentina (also serving other South American countries), Switzerland (for the United Nations Economic Commission for Europe), and France (for the Organization for Economic Cooperation and Development).

NIST will collaborate with U.S. standards developing organizations on the development of requirements and information outlines and on the design and establishment of a computerized database for international standards projects and legal metrology activities. A pilot system will be tested by the end of the second year, implemented in the third year, and then extended to legal metrology.

NIST will provide technical assistance to the (U.S.) state Weights and Measures offices to expand their capabilities for providing measurement services to industry and for serving as accredited calibration laboratories supporting trade. NIST will seek international recognition for state Weights and Measures laboratories and offices participating in the international type approval process for measuring instruments. NIST will expand the training of State Weights and Measures officials and will extend this training also to foreign metrologists.

Within five years, through full implementation of this initiative, DoC will have attained greatly increased harmonization of U.S., foreign, and international standards and conformity assessment practices. DoC will achieve increased commonality of legal metrology in North America and other areas. The database will provide easy access to critical information serving large and small U.S. businesses. Likewise, the improvements in the measurement services provided by accredited state Weights and Measures laboratories will significantly enhance competitiveness, especially of small businesses. Major increases in trade can be expected from the activities of U.S. metrologists and standards experts in major foreign markets through the resolution of technical and non-tariff trade barriers.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Measurement and engineering research and standards
Subactivity: Technology assistance
Program Change: International trade, standardization, and measurement services

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Supervisory physical scientist	15	2	\$69,427	\$138,854
Physical scientist	14	3	59,022	177,066
Physical scientist	13	2	49,947	99,894
Weights and measures coordinator	13	2	49,947	99,894
Computer specialist	12	1	42,003	42,003
Technical information specialist	9	4	28,964	115,856
Subtotal		14		673,567
Less lapse	25 %	(4)		(168,392)
Total full-time permanent (FTE)		10		505,175
1995 Pay Adjustment (1.6%)				8,082
Total				513,257

Personnel Data
Full-Time Equivalent Employment:
Full-time permanent 10

Authorized Positions:
Full-time permanent 14

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Measurement and engineering research and standards

Subactivity: Technology assistance

Program Change: International trade, standardization, and measurement services

Object Class	1995 Increase/ (Decrease) Obligations	1995 Increase/ (Decrease) Budget Authority
11 Personnel compensation	\$513	\$513
11.1 Full-time permanent	513	513
11.9 Total personnel compensation	148	148
12.1 Civilian personnel benefits	175	175
21 Travel and transportation of persons	35	35
22 Transportation of things	152	152
23.3 Communications, utilities and miscellaneous charges	19	19
24 Printing and reproduction	0	0
25.1 Consulting services	735	735
25.2 Other services	2,615	2,615
25.3 Purchases of goods and services from Government accounts	0	0
25.5 Research and development contracts	83	83
26 Supplies and materials	35	35
31 Equipment	0	0
32 Land and structures	0	0
41 Grants, subsidies and contributions	0	0
99 Direct obligations	4,510	4,510
Transfer to NIST Working Capital Fund	190	190
Total increase requested	4,700	4,700

Quantitative Performance Measures

	FY 1994 ¹	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
<u>Cooperative Research</u>						
- number of CRADAs in effect during fiscal year	380	480	580	650	720	800
- number of new CRADAs signed ²	120	120	120	120	120	120
- number of research associates and other guest researchers	17	17	17	17	17	17
<u>Services Output</u>						
- Standard Reference Databases						
-- number of databases under development ²	15	15	15	15	15	15
- Standard Reference Materials						
-- number of reference materials under development ²	70	70	70	70	70	70
-- number of new SRM's introduced	30	30	30	30	30	30
- National Voluntary Laboratory Accreditation						
-- number of laboratories accredited ²	890	980	990	1,000	1,000	1,000
- Technology Support						
-- number of NIST patents filed and licenses issued ²	27	27	27	27	27	27
- Standards						
-- number of NIST staff who chair standards committees ²	118	118	118	118	118	118
-- number of standards committees involving NIST staff ²	823	823	823	823	823	823

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	<u>FY 1994¹</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>
- International standards						
-- support of U.S. participation in international committees		3	8	10	12	12
-- laboratories accredited for foreign trade		10	15	20	25	25
-- international standards revised		3	10	15	15	15
- Other Information Exchange						
-- number of NIST technical publications ²	2,139	2,065	2,000	2,000	2,000	2,000
-- number of major NIST-sponsored conferences & workshops ²	15	17	20	20	20	20
<u>Product and Service sales</u>						
- Calibration and Testing						
-- number of calibrations/tests performed ²	10,000	10,500	11,000	11,000	11,000	11,000
-- total income	\$7.6M	\$7.9M	\$8.2M	\$8.2M	\$8.2M	\$8.2M
- SRM						
-- number of units sold ²	50,000	50,000	50,000	50,000	50,000	50,000
-- total income	\$9.3M	\$9.4M	\$9.5M	\$9.5M	\$9.5M	\$9.5M
- SRD						
-- number of database units sold ²	4,000	4,000	4,000	4,000	4,000	4,000
-- total income	\$2.0M	\$2.0M	\$2.0M	\$2.0M	\$2.0M	\$2.0M
- NVLAP						
-- total income	\$6.0M	\$6.3M	\$6.6M	\$6.6M	\$6.6M	\$6.6M

¹ Changes between FY 1994 and FY 1995 reflect anticipated initiative funding.

² Data reported represents total NIST effort. Where applicable, this effort is also reported in the program area actually performing the work.

Technology Assistance
REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
(Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Defense			
Air Force	\$325	\$325	\$325
Army	122	122	122
Navy	71	71	71
Other	173	173	173
Subtotal, Department of Defense	691	691	691
Department of Agriculture	50	57	57
Department of Commerce	115	55	41
Department of Energy	2,210	2,249	2,349
Environmental Protection Agency	7	7	7
Department of Health and Human Services	112	112	112
Department of the Interior	52	52	52
National Science Foundation	8	8	8
National Aeronautics and Space Administration	164	164	164
Department of Transportation	29	29	29
Department of Veterans Affairs	13	13	13
Other	1,023	236	498
Total, Other Agency	4,474	3,673	4,021
Calibrations and Tests			
Standard Reference Materials	2,445	2,341	2,446
Technical and Advisory Services	5514	5931	5931
	6,339	8,079	8,202
Total, Reimbursable Program	18,772	19,607	20,600

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Research support activities

Line Item	1994						1995						Increase/ (Decrease)	
	1993		Currently Available		1995		1995		1995		Over 1995 Base			
	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount	Per – sonnel	Amount		
Technical competence program	Pos./BA	58	\$7,862	60	\$8,054	60	\$8,444	59	\$8,355	(1)	(\$89)			
	FTE/Obl.	61	7,859	66	8,054	66	8,486	65	8,397	(1)	(89)			
Postdoctoral fellowship program*	Pos./BA	72	4,889	78	5,919	78	6,543	89	7,446	11	903			
	FTE/Obl.	76	4,852	82	5,919	82	6,574	90	7,477	8	903			
Computer support	Pos./BA	47	12,834	48	12,043	48	12,353	47	12,265	(1)	(88)			
	FTE/Obl.	50	11,575	53	13,670	53	12,416	52	12,328	(1)	(88)			
Facilities modifications and improvements	Pos./BA	14	10,000	5	5,153	0	0	0	0	0	0			
	FTE/Obl.	15	6,924	5	8,588	0	0	0	0	0	0			
Special Facilities: Cold Neutron	Pos./BA	0	0	0	0	0	0	0	0	0	0			
	FTE/Obl.	0	3,006	0	373	0	0	0	0	0	0			
Total	Pos./BA	191	35,585	191	31,169	186	27,340	195	28,066	9	726			
	FTE/Obl.	202	34,216	206	36,604	201	27,476	207	28,202	6	726			
* FY 1995 Initiative included:														
Math and science postdoctoral fellowships	Pos./BA							12	1,000	12	1,000			
	FTE/Obl.							9	1,000	9	1,000			

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Research support activities

Line Item	1993		1994		1995		1995		Increase/ (Decrease)	
	Actual		Currently Available		Base		Estimate		Over 1995 Base	
	Per-- sonnel	Amount	Per-- sonnel	Amount	Per-- sonnel	Amount	Per-- sonnel	Amount	Per-- sonnel	Amount
Computer support										
WCF transfers	0	0	0	0	0	0	0	0	0	0
Reimbursable FTE/Obl	6	\$1,369	0	\$66	0	\$46	0	\$46	0	0
Total	6	1,369	0	66	0	46	0	46	0	0
Technical reimbursable services										
WCF transfers	0	0	0	0	0	0	0	0	0	0
Reimbursable FTE/Obl	0	330	1	400	1	116	1	116	0	0
Total	0	330	1	400	1	116	1	116	0	0
Non--technical support services										
WCF transfers	0	0	0	0	0	0	0	0	0	0
Reimbursable FTE/Obl	8	4,810	8	5,104	8	5,097	7	5,097	(1)	0
Total	8	4,810	8	5,104	8	5,097	7	5,097	(1)	0
Total										
WCF transfers	0	0	0	0	0	0	0	0	0	0
Reimbursable FTE/Obl	14	6,509	9	5,570	9	5,259	8	5,259	(1)	0
Total	14	6,509	9	5,570	9	5,259	8	5,259	(1)	0

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
RESEARCH SUPPORT ACTIVITIES

Goal Statement

This subactivity facilitates industry and government efforts to enhance the competitiveness of American industry by providing appropriate support for industry's development of broad-based, high-risk technologies which promise substantial commercial application and diffusing these advances to users in all segments of the American economy. In particular, this subactivity provides for (1) programs to respond to needs for new technical competencies, (2) regular infusion of outstanding postdoctoral scientists and engineers, and (3) maintenance of adequate central scientific computing resources. These efforts support the DoC goal of enhancing technological development and commercialization.

Base Program

The three programs under this subactivity are centrally managed activities which provide support to all other NIST programs. Specifically, the programs provide competence development in NIST mission-oriented areas of research, high caliber scientists and engineers for ongoing research programs, and central computing support for the research programs.

Technical Competence Program - Resources provided through this program enable NIST scientists to respond to new scientific and technical opportunities and to new requirements assigned by the Administration and Congress or imposed by developments in industry, Government, academia, or the public. The capacity to respond is based on the availability of teams of scientists and engineers working at the forefront of research in various areas related to future advanced technologies with the ability to devote their efforts to specific, new problems as they arise.

The FY 1995 base program operating objectives include the following:

- o Select and initiate three to six new competence projects, at the discretion of the Director and senior NIST managers. This fundamental research will create a window on emerging areas of science and technology and provide NIST scientists and engineers with the knowledge and skills that are necessary in addressing state-of-the-art technical opportunities and needs. Successful projects continue to be supported by competence funds for approximately five years.

Postdoctoral Fellowship Program - Through this program, NIST supports a nationwide competitive postdoctoral research fellowship program administered in cooperation with the National Academy of Sciences/National Research Council. The fellowship program brings outstanding research scientists and engineers to work on NIST research projects, strengthens mutual communication with university researchers, and provides a valuable mechanism for the transfer of research results from NIST to the scientific and engineering communities.

The FY 1995 base program operating objectives include the following:

- o Select postdoctoral scientists and engineers of unusual promise and ability to perform advanced research related to the NIST mission.
- o Introduce the latest university research results and techniques to NIST scientific programs and share NIST unique research facilities with the U.S. scientific and engineering community.

Computer Support - This program provides staffing, operation and support of the supercomputer and the associated computers and equipment, which comprise the central component of the Scientific Computer System (SCS) serving NIST. Expert assistance and training is provided to users to improve the productivity of the system. Organizational elements involved are the Applied and Computational Mathematics Division, the Computer Services Division, and the Scientific Computing Environments Division of the Computing and Applied Mathematics Laboratory.

SCS enables NIST scientists and engineers to meet essential scientific needs for large-scale high precision numerical calculations, large-scale mathematical modeling, sophisticated data analysis, and database management. This computing capability enhances the scope and effectiveness of NIST long-range solutions to important problems in such areas as atomic and molecular properties, manufacturing, materials processing, biochemical engineering, and high-performance electronic components. Computer scientists, computer system specialists, and applied mathematicians help users to exploit the novel architecture capabilities of the supercomputers.

The FY 1995 base program operating objectives include the following:

- o Operate supercomputer-based facility and associated communications and visualization capabilities to support all NIST scientific and engineering research programs.
- o Establish testbed to evaluate technical and administrative issues associated with using central mass storage facilities to provide file migration and backup services to remote workstations and file servers.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount
Math and science postdoctoral fellowships	12	\$1,000	12	\$1,000
Pos/BA FTE/Obl.	9	1,000	9	1,000

Math and Science Postdoctoral Fellowships (+12 Permanent positions, BA +\$1,000,000. Direct Obligations +\$1,000,000) - This initiative will increase the number of National Research Council (NRC) Postdoctoral Associateships to parallel increases in the NIST intramural programs to enhance technology development and commercialization. This program provides a select group of young scientists and engineers an opportunity to pursue state-of-the-art research related to the NIST mission and provides NIST an effective method for identifying and retaining high quality scientists and engineers. Many of these postdoctoral associates are subsequently hired by NIST; others carry the knowledge and skills acquired at NIST to the Nation's industries, universities, and other Government agencies.

Problem Magnitude and Scope:

The National Research Council Postdoctoral Research Associateship Program plays an important role in transferring technology from NIST to the scientific and engineering communities and provides a flow-through of young talent not readily available in most government laboratories. The program provides a select group of young scientists and engineers an opportunity to pursue state-of-the-art research related to the NIST mission and provides NIST an effective method for identifying and retaining high quality scientists and engineers. Many of these postdoctoral associates are subsequently hired by NIST; others carry the knowledge and skills acquired at NIST to the Nation's industries, universities, and other Government agencies.

Why NIST:

Because NIST engages in research on the leading edge of technology, the Institute must be cognizant of the state-of-the-art research conducted by the leading academic institutions and must incorporate that knowledge into its research programs. The Postdoctoral Fellowship program provides NIST with an opportunity to keep abreast of the latest developments in academic research while providing a continuing infusion of the Nation's outstanding scientists, mathematicians, and engineers into the NIST staff, both on a temporary basis and by selective recruiting for career appointments. The NIST labs, in turn, offer these young researchers opportunities to engage in advanced research in NIST specialty areas.

Description of the Proposed NIST Technical Program:

This program is part of a Government wide initiative relating to science, mathematics, engineering, and technology education for the improvement of these disciplines at all education levels. The NIST/NRC Postdoctoral Research Associateship Program provides two-year fellowship appointments for outstanding scientists and engineers chosen through a national competition administered by the National Research Council of the National Academy of Sciences. The appointments provide an opportunity for the Nation's best young scientists, mathematicians, and engineers to engage in state-of-the-art research in association with senior research specialists of the Institute's staff, using the excellent and often unique research facilities at NIST.

Postdoctoral Fellows conduct highly technical and complex research at NIST in areas such as chemical and physical science and technology, electronics and electrical engineering, and materials science and engineering. For example, in analytical chemistry, researchers investigate magnetic properties of very thin multilayer films, thermodynamic properties of alternative refrigerants, and viscosity measurements of microemulsion solutions. Research in physics focuses on the manipulation of atoms to develop future generations of atomic-scale materials, devices, and standards. Fundamental electrical measurements research provides data for superconductors and a new quantum standard of electric current. In materials science and engineering, researchers study the structural properties and composition of materials and the processing parameters for design and production of advanced materials with predictable properties and performance.

Economic Impacts:

The Postdoctoral Associates stimulate new theoretical approaches and bring new experimental and analytical skills to technological problems. Their research contributes to solving problems, aids in the developing new standards and establishing benchmark for critical data, and provides generic research data and measurements that allow U.S. companies to develop products that are competitive in world markets.

This program will serve as an excellent mechanism for recruiting high calibre staff for NIST's technical programs. Those Postdoctoral Fellows who go on to work in U.S. industries carry with them the knowledge and skills acquired at NIST for assisting the private sector in developing technologies. For those who continue their careers in university teaching and research, the NIST experience can motivate their research and enrich their students' understanding of the application of science as it addresses technology infrastructure.

Cost and Benefits:

The increase in the Postdoctoral Fellowship program will enhance NIST's ability to improve industry and Government efforts to improve quality by stimulating NIST programs through the presence of bright, highly motivated, recent doctoral graduates with records of research productivity. New ideas, techniques, and approaches to problems contribute significantly to the overall research climate of NIST laboratories.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Measurement and engineering research and standards
Subactivity: Research support activities
Program Change: Math and science postdoctoral fellowships

Title	Grade	Number	Annual Salary	Total Salaries
Chemical engineer	12	1	\$45,500	\$45,500
Chemist	12	1	45,500	45,500
Materials research engineer	12	1	45,500	45,500
Mathematician	12	1	45,500	45,500
Physicist	12	4	45,500	182,000
Research chemist	12	2	45,500	91,000
Research engineer	12	2	45,500	91,000
Subtotal		12		\$46,000
Less lapse	25 %	(3)		(136,500)
Total full-time permanent (FTE)				409,500
1995 Pay Adjustment (1.6%)		9		6,552
Total				416,052
Personnel Data				
Full-time Equivalent Employment:				
Full-time permanent		9		
Authorized Positions:				
Full-time permanent		12		

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Research support activities
Program Change: Math and science postdoctoral fellowships

Object Class	1995 Increase/ (Decrease) Obligations
11 Personnel compensation	\$416
11.1 Full-time permanent	416
11.9 Total personnel compensation	120
12.1 Civilian personnel benefits	25
21 Travel and transportation of persons	14
22 Transportation of things	121
23.3 Communications, utilities and miscellaneous charges	3
24 Printing and reproduction	0
25.1 Consulting services	52
25.2 Other services	151
25.3 Purchases of goods and services from Government accounts	0
25.5 Research and development contracts	78
26 Supplies and materials	20
31 Equipment	0
32 Land and structures	0
41 Grants, subsidies and contributions	0
99 Direct obligations	1,000

Research Support Activities
REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
(Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Commerce	\$3,641	\$2,278	\$2,278
Department of Justice	267	247	4
Department of State	17	37	22
Department of Treasury	50	50	50
Other	25	35	30
Total, Other Agency	4,000	2,647	2,384
Technical and Advisory Services	2,949	2,923	2,875
WCF Investment/Operating Adjustments	(440)	0	0
Total, Reimbursable Program	6,509	5,570	5,259

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
ADMINISTRATIVE SAVINGS FOR FY 1995
(Dollar amounts in thousands)

	1995 Base		1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
Measurement and engineering research and standards . . . Pos./BA	1,859	\$230,334	2,000	\$316,040	141	\$85,706
FTE/Obl.	1,991	230,659	2,088	304,015	97	73,356
Administrative savings Pos/BA			0	(291)	0	(291)
FTE/Obl.			0	(291)	0	(291)

As required by Executive Order 12837, a decrease of \$291,000 reflects a three percent reduction in administrative expenses from the amount made available for fiscal year 1993, adjusted for inflation. The decrease is taken as follows:

<u>Subactivity/Line Item</u>	<u>Amount</u>
Electronics and electrical engineering	(\$44)
Manufacturing engineering	(19)
Chemical science and technology	(33)
Physics	(39)
Materials science and engineering	(50)
Building and fire research	(20)
Computer systems	(24)
Applied mathematics and scientific computing	(12)
Technology assistance	(16)
Research support activities	
Technical competence program	(11)
Postdoctoral fellowship program	(12)
Computer support	(11)
Total	(291)

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Measurement and engineering research and standards
Program Change: Administrative savings

Object Class	1995 Increase/ (Decrease) Obligations
11 Personnel compensation	0
11.1 Full-time permanent	
11.9 Total personnel compensation	0
12.1 Civilian personnel benefits	0
21 Travel and transportation of persons	(\$13)
22 Transportation of things	(2)
23.2 Rental payments to others	(4)
23.3 Communications, utilities and miscellaneous charges	(74)
24 Printing and reproduction	(7)
25.1 Consulting services	(2)
25.2 Other services	(123)
25.3 Purchases of goods and services from Government accounts	0
25.5 Research and development contracts	0
26 Supplies and materials	(66)
31 Equipment	0
32 Land and structures	0
41 Grants, subsidies and contributions	0
99 Direct obligations	(291)

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
FTE SAVINGS FOR FY 1995
(Dollar amounts in thousands)

	1995 Base		1995 Estimate		Increase/(Decrease)	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
Measurement and engineering research and standards . . . Pos./BA	1,859	\$230,334	2,000	\$316,040	141	\$85,706
FTE/Obl.	1,991	230,659	2,088	304,015	97	73,356
FTE savings Pos./BA			(32)	(2,007)	(32)	(2,007)
FTE/Obl.			(32)	(2,007)	(32)	(2,007)

As required by Executive Order 12839, a decrease of 32 FTEs and \$2,007,000 reflects salary and benefits savings as a result of reducing staff by 1.5 percent. The decrease is taken as follows:

<u>Subactivity/Line Item</u>	<u>FTE</u>	<u>Amount</u>
Electronics and electrical engineering	(5)	(\$306)
Manufacturing engineering	(2)	(133)
Chemical science and technology	(4)	(229)
Physics	(4)	(267)
Materials science and engineering	(6)	(344)
Building and fire research	(2)	(135)
Computer systems	(3)	(165)
Applied mathematics and scientific computing	(1)	(84)
Technology assistance	(2)	(104)
Research support activities		
Technical competence program	(1)	(78)
Postdoctoral fellowship program	(1)	(85)
Computer support	(1)	(77)
Total	(32)	(2,007)

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Measurement and engineering research and standards
Program Change: FTE Savings

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Physical scientist	15	(1)	\$74,054	(\$74,054)
Physical scientist	14	(2)	62,958	(125,916)
Physical scientist	13	(13)	54,941	(714,233)
Physical scientist	12	(8)	44,802	(358,416)
Physical scientist	11	(4)	38,551	(154,204)
Administrative/technical support	9	(4)	31,860	(127,440)
Total full-time permanent (FTE)		(32)		(1,554,263)
Personnel Data				
Full-Time Equivalent Employment:				
Full-time permanent		(32)		
Authorized Positions:				
Full-time permanent		(32)		

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Measurement and engineering research and standards
Program Change: FTE Savings

<u>Object Class</u>	1995 Increase/ (Decrease) <u>Obligations</u>
11 Personnel compensation	(\$1,554)
11.1 Full-time permanent	(1,554)
11.9 Total personnel compensation	(453)
12.1 Civilian personnel benefits	0
21 Travel and transportation of persons	0
22 Transportation of things	0
23.3 Communications, utilities and miscellaneous charges	0
24 Printing and reproduction	0
25.1 Consulting services	0
25.2 Other services	0
25.3 Purchases of goods and services from Government accounts	0
25.5 Research and development contracts	0
26 Supplies and materials	0
31 Equipment	0
32 Land and structures	0
41 Grants, subsidies and contributions	0
99 Direct obligations	(2,007)

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease) over 1995 Base
11 Personnel compensation					
11.1 Full-time permanent	\$81,338	\$94,635	\$101,421	\$107,306	\$5,885
11.3 Other than full-time permanent	6,766	7,023	7,310	7,310	0
11.5 Other personnel compensation	2,492	2,493	2,492	2,492	0
11.9 Total personnel compensation	90,596	104,151	111,223	117,108	5,885
12.1 Civilian personnel benefits	17,765	21,794	23,608	25,302	1,694
13 Benefits for former personnel	112	115	116	116	0
21 Travel and transportation of persons	3,699	4,355	4,455	6,153	1,698
22 Transportation of things	424	750	687	1,318	631
23.1 Rental payments to GSA	14	33	34	34	0
23.2 Rental payments to others	500	537	548	544	(4)
23.3 Communications, utilities, and miscellaneous charges	8,229	9,316	9,517	11,954	2,437
24 Printing and reproduction	505	742	755	971	216
25.1 Consulting services	913	1,008	1,037	1,035	(2)
25.2 Other services	21,068	31,591	22,077	29,394	7,317
25.3 Purchases of goods and services from Government accounts	6,636	9,979	8,812	17,241	8,429
25.5 Research and development contracts	1,170	3,115	3,115	34,157	31,042
26 Supplies and materials	15,319	21,092	19,129	21,308	2,269
31 Equipment	17,223	18,011	18,388	19,237	849
32 Land and structures	1,380	1,235	1,125	1,125	0
41 Grants, subsidies, and contributions	6,202	6,033	6,033	16,928	10,895
42 Insurance claims and indemnities	1	0	0	0	0
99 Total Obligations	191,756	233,857	230,659	304,015	73,356
Less Prior Year Recoveries			(1,000)	(1,000)	0
Total Budget Authority			229,659	303,015	73,356
Transfer to NIST Working Capital Fund			675	13,025	12,350
Total Requirements			230,334	316,040	85,706
					NIST-199

Personnel Data				
	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate
Full-time equivalent employment:				
Full-time permanent	1,531	1,781	1,826	1,923
Other than full-time permanent	170	165	165	165
Total	1,701	1,946	1,991	2,088
Authorized Positions:				
Full-time permanent	1,616	1,864	1,859	2,000
Other than full-time permanent	242	216	216	216
Total	1,858	2,080	2,075	2,216
				Increase/ (Decrease) over 1995 Base
				97
				0
				97
				141
				0
				141

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	1995 Adjustment to Base	1995 Base	1995 Estimate	Increase/ (Decrease) over 1995 Base
11 Personnel compensation				
11.1 Full-time permanent				
Executive level	\$6	\$122	\$122	0
Senior executive service	241	5,433	5,433	0
General schedule	4,596	89,377	95,262	\$5,885
Wage board	245	5,286	5,286	0
Scientific & professional (P.L. 80-313)	54	1,203	1,203	0
Subtotal	5,142	101,421	107,306	5,885
11.3 Other than full-time permanent				
General schedule	268	6,912	6,912	0
Wage board	11	241	241	0
Scientific & professional (P.L. 80-313)	5	104	104	0
Experts & consultants	3	48	48	0
Student	0	5	5	0
Subtotal	287	7,310	7,310	0
11.5 Other personnel compensation				
Overtime	0	591	591	0
SES performance awards	0	166	166	0
Cash awards	(1)	1,647	1,647	0
Other	0	88	88	0
Subtotal	(1)	2,492	2,492	0
11.9 Total personnel compensation	5,428	111,223	117,108	5,885
				NIST-201

<u>Object Class</u>	<u>1995 Adjustment to Base</u>	<u>1995 Base</u>	<u>1995 Estimate</u>	<u>Increase/ (Decrease) over 1995 Base</u>
12.1 Civilian personnel benefits				
Civil service retirement	75	3,822	3,822	0
Federal employees' retirement	546	6,843	7,600	757
Thrift savings plan	81	1,789	1,964	175
Federal Insurance Contribution Act	241	4,842	5,293	451
Health insurance	467	5,409	5,713	304
Life insurance	3	210	217	7
Employees' Compensation Fund	(74)	460	460	0
Other	0	233	233	0
Subtotal	1,339	23,608	25,302	1,694
13 Benefits for former personnel				
Severance pay	0	75	75	0
Unemployment compensation	0	41	41	0
Subtotal	0	116	116	0
21 Travel and transportation of persons				
Common carrier	0	1,711	2,417	706
Mileage	0	141	202	61
Per diem/actual	108	1,958	2,642	684
Other	0	645	892	247
Subtotal	108	4,455	6,153	1,698
22 Transportation of things	22	687	1,318	631
23.1 Rental payments to GSA	1	34	34	0
23.2 Rental payments to others	1	548	544	(4)

<u>Object Class</u>	<u>1995 Adjustment to Base</u>	<u>1995 Base</u>	<u>1995 Estimate</u>	<u>Increase/ (Decrease) over 1995 Base</u>
23.3 Communications, utilities, and miscellaneous charges				
Rental of ADP equipment	0	31	33	2
Rental of office copying equipment	36	409	464	55
Other equipment rental	(10)	488	538	50
Federal telecommunications system	(3)	336	401	65
Other telecommunications services	(2)	1,063	1,461	398
Postal Service by USPS	(5)	685	831	146
Utilities:				
Electric	(37)	4,235	5,359	1,124
Gas	128	1,289	1,616	327
Water/Sewer	170	981	1,251	270
Subtotal	277	9,517	11,954	2,437
24 Printing and reproduction				
Publications	9	514	669	155
Other	4	241	302	61
Subtotal	13	755	971	216
25.1 Consulting services				
Management & professional support services	0	906	904	(2)
Studies, analyses, & evaluation	0	131	131	0
Engineering & technical services	0	0	0	0
Subtotal	0	1,037	1,035	(2)

<u>Object Class</u>	<u>1995 Adjustment to Base</u>	<u>1995 Base</u>	<u>1995 Estimate</u>	<u>Increase/ (Decrease) over 1995 Base</u>
25.2 Other services				
Training:				
Office of Personnel Management	0	14	14	0
Other	(2)	756	916	160
Maintenance of equipment	(73)	4,294	5,223	929
ADP Services	45	2,683	3,032	349
Other non-government contracts	(2,817)	14,330	20,209	5,879
Subtotal	(2,847)	22,077	29,394	7,317
25.3 Purchases of goods and services from Government accounts				
Payments to GA, WCF	114	1,737	1,737	0
Other Federal agencies:				
Dept. of Commerce	400	3,150	9,579	6,429
Other	23	3,925	5,925	2,000
Subtotal	537	8,812	17,241	8,429
25.5 Research and development contracts	0	3,115	34,157	31,042
26 Supplies and materials				
Office & laboratory supplies	78	12,376	14,645	2,269
Scientific publications & journals	2	89	89	0
Fuel oil	0	118	118	0
Reactor Fuel	0	6,546	6,546	0
Subtotal	80	19,129	21,398	2,269
31 Equipment				
Office machines and other equipment	2	3,317	3,876	559
ADP equipment	115	1,877	2,167	290
Equipment depreciation	368	13,194	13,194	0
Subtotal	485	18,388	19,237	849

	Object Class	1995 Adjustment to Base	1995 Base	1995 Estimate	Increase/ (Decrease) over 1995 Base
32	Land and structures	(110)	1,125	1,125	0
41	Grants, subsidies, and contributions	0	6,033	16,928	10,895
42	Insurance claims and indemnities	0	0	0	0
99	Total Obligations	5,334	230,659	304,015	73,356
	Less Prior Year Recoveries	(1,000)	(1,000)	(1,000)	0
	Total Budget Authority	4,334	229,659	303,015	73,356
	Transfer to NIST Working Capital Fund	0	675	13,025	12,350
	Total Requirements	4,334	230,334	316,040	85,706

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROPOSED LANGUAGE CHANGES

1. After the words "Working Capital Fund" delete the words "and \$1,500,000 may be transferred to the Department of Commerce Working Capital Fund."

The language in 1994 directed a one-time transfer. The language is not needed in 1995.

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
APPROPRIATION LANGUAGE AND CODE CITATIONS

1. For necessary expenses of the National Institute of Standards and Technology,
 - 15 U.S.C. 272; 273; 275c; 278b-f; 278g-1; 278g-2; 278g-3; 278h
 - 15 U.S.C. 290b-f
 - 15 U.S.C. 1454(d), 1454(e)
 - 15 U.S.C. 1512
 - 40 U.S.C. 759(f)
- 15 U.S.C. 272; 273; 278b-f; 278g-1; 278g-2 provide basic authority for the performance of the functions and activities of the National Institute of Standards and Technology.
- 15 U.S.C. 278g-3 gives NIST responsibility for developing standards and guidelines for Federal computer systems, and for developing standards and guidelines needed to assure cost effective security and privacy of sensitive non-national-security-related information in Federal computer systems.
- 15 U.S.C. 278h authorizes appropriations for performance and functions of the National Institute of Standards and Technology.
- 15 U.S.C. 290b-f direct the Secretary of Commerce to provide for the collection, compilation, critical evaluation, publication, and dissemination of standard reference data.
- 15 U.S.C. 1454(d), 1454(e) assign responsibilities to the Secretary of Commerce to determine when undue proliferation exists, to develop and publish voluntary product standards, and to maintain surveillance of such standards.
- 15 U.S.C. 1512 provides "It shall be the province and duty of said Department to foster, promote, and develop the foreign and domestic commerce... of the United States."
- 40 U.S.C. 759(f) authorizes the Secretary of Commerce to undertake research in the science and technologies of automatic data processing, computer and related systems, and to establish uniform Federal standards.

2. \$316,040,000, to remain available until expended,

no specific authority

31 U.S.C. 718 - Appropriations in annual Appropriation Acts not permanent, states: "No specific or indefinite appropriations... shall be construed to be permanent or available continuously... unless it is made in terms expressly providing that it shall continue available beyond the fiscal year for which the Appropriations Act in which it is contained makes provisions."

3. of which not to exceed \$13,025,000 may be transferred to the "Working Capital Fund."

15 U.S.C. 278b

15 U.S.C. 278b provides in part: "The National Institute of Standards and Technology is authorized to utilize in the performance of its functions the Working Capital Fund..."

Additional authorizing legislation will be proposed for FY 1995.

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
Scientific and Technical Research and Services
CONSULTING AND RELATED SERVICES
(Obligations in thousands of dollars)

	FY 1993 <u>Actual</u>	FY 1994 <u>Estimate</u>	FY 1995 <u>Estimate</u>
Management and Professional Support Services	\$680	\$881	\$904
Special Studies and Analyses	233	127	131
Total	913	1,008	1,035

Significant Activities

Consulting and related services funded by the STRS appropriation are concerned with:

- (1) evaluation of candidates for the NIST Postdoctoral Fellowship program.
- (2) the review and evaluation of the technical functions and operations of NIST by Boards of Assessment of the National Academy of Sciences. The Evaluation Panels consider the importance and relative priority of projects, quality of staff, equipment needs, and finances, and the relation of the program to the mission of NIST.
- (3) contract with the National Academy of Sciences (NAS) to support the U.S. National Committee (UNC) for the Committee on Data for Science and Technology (CODATA).
- (4) studies to analyze the economic impact of Laboratory Research at NIST, to develop framework for maximizing U.S. interest in competing and coordinating with Japan as a technological power.

Need for Consulting Services:

The need for consulting and related services stems from the NIST role in dealing with the private sector, professional organizations, and the public sector. Inputs must be obtained from consultants who can bring their individual expertise to bear and help NIST in assessing its program plans

to meet the needs of its customers. The alternative to utilizing these services is to make no attempt to have expertise from sources outside NIST and risk having a poorer working and professional relationship with those in the business of using the products and services offered by NIST.

Internal Controls to Ensure Appropriate Use:

Requisition requests from NIST program managers for advisory and assistance services must be accompanied by written justification for the need for such services. Personal services contracts require review by the Personnel Office.

Department of Commerce
National Institute of Standards and Technology
Construction of Research Facilities
ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

Transfers:	Perm. Pos.	FTE	Amount
Facilities transfer from the STRS appropriation	5	5	\$5,153
Other Changes:			
1995 Pay raise	0	0	3
Changes in compensable days	0	0	(1)
Federal Employees Retirement System (FERS)	0	0	1
Health Insurance	0	0	1
Communications, utilities, and miscellaneous charges:			
Utilities	0	0	1
Other services:			
Other services	0	0	234
Subtotal, other changes	0	0	239
Total, adjustments to base	5	5	5,392

Department of Commerce
National Institute of Standards and Technology
Construction of Research Facilities
JUSTIFICATION OF ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

FTE Amount

Transfers:

Facilities transfer from the STRS appropriation 5 \$5,153

NIST requests the transfer of 5 FTEs and \$5,153,000 from STRS to the CRF appropriation. This transfer would place in one appropriation all funding associated with the construction of new facilities and the modifications associated with maintenance on the present facilities. The similarity in the funding for these activities will allow for increased efficiency in their administration.

Other Changes:

1995 pay increase and related costs 0 3

A general pay raise of 1.6 percent is assumed to be effective January 1, 1995.

Total cost in FY 1995 of pay increase	3,000
Less amount absorbed in FY 1995	<u>0</u>
Total adjustment for FY 1995 pay increase	3,000

Changes in compensable days 0 (1)

The cost of one less compensable day in FY 1995 was calculated by dividing the FY 1994 estimate for personnel compensation and benefits by 261 compensable days.

SUMMARY OF RESOURCE REQUIREMENTS

(Dollar Amounts in thousands)

Page NO.	Positions	Budget Authority	FTE	Direct Obligations
Appropriation available, 1994	5	\$61,686	5	\$160,687
less: Unobligated balance from prior year				(99,001)
plus: 1995 Adjustments to base	5	5,392	5	5,392
1995 Base	10	67,078	10	67,078
plus: 1995 Program changes	0	32,922	0	32,922
1995 Estimate	10	100,000	10	100,000

Comparison by activity/subactivity

Construction and major renovations

NIST-217	Construction and major renovations	Pos/BA FTE/Obl.	2	\$105,000	5	\$61,686	10	\$67,078	10	\$100,000	0	\$32,922
			2	2,749	5	160,687	10	67,078	10	100,000	0	32,922
	Adjustments to obligations:											
	Unobligated balance, start of year			0		(99,001)		0		0		0
	Unobligated balance, end of year			99,001		0		0		0		0
	Financing from transfers:											
	Transfer to other accounts (+)			3,250		0		0		0		0
	Appropriation			105,000		61,686		67,078		100,000		32,922

NIST-211

Personnel benefits

0 2

Civil Service Retirement System (CSRS)	0
Federal Employees Retirement System (FERS)	1,000
Thrift Savings Plan	0
Federal Insurance Contribution Act (FICA) - OASDI	0
Health Insurance	1,000

Civil Service Retirement System (\$0) - The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 55.3 percent in FY 1994 to 53.5 percent in FY 1995. Contribution rates will remain the same.

Payroll subject to retirement systems (\$219,000)	
Cost of CSRS contributions in FY 1995 (\$219,000 x .535 x .07)	8,202
Cost of CSRS contributions in FY 1994 (\$219,000 x .553 x .07)	<u>8,477</u>
Total adjustment to base	(275)

Federal Employees Retirement System (\$1,000) - The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 44.7 percent in FY 1994 to 46.5 percent in FY 1995. The contribution rate will remain the same.

Payroll subject to retirement systems (\$219,000)	
Basic benefit cost in FY 1995 (\$219,000 x .465 x .129)	13,137
Basic benefit cost in FY 1994 (\$219,000 x .447 x .129)	<u>12,628</u>
Total adjustment to base	509

Thrift Savings Plan (\$0) - The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain 2 percent.

Thrift plan cost in FY 1995 (\$219,000 x .465 x .02)	2,037
Thrift plan cost in FY 1994 (\$219,000 x .447 x .02)	<u>1,958</u>
Total adjustment to base	79

Federal Insurance Contributions Act (FICA) - OASDI (\$0) - As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will rise from \$60,150 in FY 1994 to \$61,050 in FY 1995. The OASDI tax rate will remain 6.2 percent in FY 1995.

FERS payroll subject to FICA tax in FY 1995 (\$219,000 x .465 x .9360 x .062)	5,910
FERS payroll subject to FICA tax in FY 1994 (\$219,000 x .447 x .9470 x .062)	5,748
Increase (FY 1994-FY 1995)	162
OTP payroll subject to FICA tax in FY 1995 (\$0 x .9360 x .062)	0
OTP payroll subject to FICA tax in FY 1994 (\$0 x .9470 x .062)	0
Change (FY 1994-FY 1995)	0
Total OASDI increase	162

Health insurance (\$1,000) - Effective January 1993, NIST's contribution to Federal employees health insurance premiums increased by \$719,000. The CRF share of this increase is \$1,000. The total increase was computed based on employee participation in the various health benefit plans and the associated increases.

Communications, utilities, and miscellaneous charges 0 1

Utilities 1,000

Utilities (\$1,000) - This adjustment to base is required to pay the additional cost of natural gas, water/sewer, and refuse disposal, arising from rate increases in FY 1993. The CRF share of this increase is \$1,000.

Other services 0 234

Increases in costs for recurring contractual support services have been experienced. This is due principally to increases in salary costs for the services performed, increases in costs for materials and supplies, increases in costs of computer support, and increases for equipment maintenance. A detail by service follows:

	FY 1994 Budget	Revised Estimate	Increase in Cost
<u>Services</u>			
Maintenance of ADP equipment	7	8	1
Other support services	10,125	10,358	233
Total other services increase	10,132	10,366	234
NIST			

Department of Commerce
National Institute of Standards and Technology
Construction of Research Facilities
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Construction and major renovations
Subactivity: Construction and major renovations

Line Item	1993				1994		1995		1995		Increase/ (Decrease) over 1993 Base
	Actual		Currently Available		Base		Estimate		Per- sonnel	Amount	
	Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount	Per- sonnel	Amount			
Construction and major renovations*	Pos/BA	2	\$105,000	5	\$61,686	5	\$57,078	5	\$90,000	0	\$32,922
	FTE/Obl.	2	2,749	5	160,687	5	57,078	5	90,000	0	32,922
Modifications and improvements	Pos/BA	0	0	0	0	5	10,000	5	10,000	0	0
	FTE/Obl.	0	0	0	0	5	10,000	5	10,000	0	0
Total	Pos/BA	2	105,000	5	61,686	10	67,078	10	100,000	0	32,922
	FTE/Obl.	2	2,749	5	160,687	10	67,078	10	100,000	0	32,922

* FY 1995 Initiative included:

Facilities technical obsolescence

Pos/BA	0	32,922	0	32,922
FTE/Obl.	0	32,922	0	32,922

Department of Commerce
National Institute of Standards and Technology
Construction of Research Facilities
**JUSTIFICATION OF PROGRAM PERFORMANCE
CONSTRUCTION AND MAJOR RENOVATIONS**

Goal Statement

This program supports all NIST activities by providing the staff with the facilities necessary to carry out the technical work that supports the promotion of industrial technology and innovation, reduction of barriers to commercialization, facilitation of industry and government efforts to improve quality, and pursuit of sustainable growth. These efforts support the DoC goal of enhancing technological development and commercialization.

Base Program

Resources in this program are utilized in Gaithersburg, Maryland, and Boulder, Colorado, to build two new Advanced Technology Laboratories; improve operational capabilities of NIST facilities support systems; undertake the highest priority safety and system capacity facilities retrofit projects to maintain NIST's buildings and laboratory facilities in compliance with more stringent science and engineering program requirements and with various Federal, state, and local health and safety regulations; and undertake modifications to improve access for the handicapped.

In FY 1991 NIST identified \$42,000,000 in facilities safety and capacity projects requiring major retrofitting. That project list has not remained static. In the years since it was developed, high priority facilities maintenance (retrofit) problems totaling an additional \$56,000,000 have been identified. These projects, now totaling \$98,000,000, represent only the most critical retrofit requirements. Base funding for these projects is currently \$5,000,000. In FY 1995 NIST proposes to raise this level to \$10,000,000 in base funding, staying within the total requested for this appropriation. The figure will increase to \$15,000,000 in FY 1996, \$20,000,000 in FY 1997, \$25,000,000 in FY 1998, and \$58,400,000 in FY 1999. The impact of this would be to extend the completion of the major construction and renovation plan by one year while addressing these critical needs.

The FY 1995 base program operating objectives include the following:

- o Provide improvements, replacements, and modifications to the NIST facilities that ensure the continued usefulness and safety of existing laboratories and buildings and compliance with asbestos regulations.

- o Continue multiyear projects to replace fire and mechanical alarm systems at both Gaithersburg and Boulder and expand the Gaithersburg central plant.
- o Continue correcting electrical problems by upgrading transformers and burying main power lines at Boulder.
- o Continue a multiyear upgrade of sewer and water lines at Boulder.
- o Continue to address the most critical fire safety needs in the Boulder Laboratories.
- o Continue to replace the structurally deteriorated underground utility access rooms.
- o Continue to bring the multistory Administration Building in Gaithersburg up to current fire code.
- o Continue the design work leading towards construction of new facilities and renovation of existing facilities and start construction of new facilities.

Department of Commerce
National Institute of Standards and Technology
Construction of Research Facilities
INCREASE FOR FY 1995
(Dollar amounts in thousands)

	1995 Estimate		Increase/(Decrease) Over 1995 Base	
	Personnel	Amount	Personnel	Amount
	0	\$32,922	0	\$32,922
	0	32,922	0	32,922

Facilities technical obsolescence Pos./BA
FTE/Obl.

Facilities Technical Obsolescence (BA + \$32,922,000, Direct Obligations + \$32,922,000) - NIST requests \$32,922,000, which is a resumption of planned funding to get the project back on track.

The linkages between the NIST laboratory-based research programs and the new programs, along with competitive pressures from foreign sources, place even greater demands on the NIST laboratory facilities to provide the proper environment for advanced technology research and services. A plan was submitted to Congress to construct new facilities and to renovate a portion of NIST's current facilities to first-rate condition. In FY 1993 Congress appropriated \$105,000,000 for construction and \$5,000,000 for design to begin these projects.

In FY 1994 a one-time cut was taken in this program, which was to be restored in FY 1995. This reduction was possible without delay to the program because of the need to have A&E specifications and studies in place before contracting could begin on actual construction. Restoration of the \$32,922,000 will allow the program to move forward as intended.

Costs and Benefits:

With funding of \$32,922,000 requested for FY 1995 and \$32,922,000 per year in subsequent years, NIST will address the technical obsolescence of its facilities.

Department of Commerce
National Institute of Standards and Technology
Construction of Research Facilities
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Construction and major renovations
Subactivity: Construction and major renovations
Program Change: Facilities technical obsolescence

<u>Object Class</u>	1995 Increase/ (Decrease) <u>Obligations</u>
11 Personnel compensation	0
11.1 Full-time permanent	0
11.9 Total personnel compensation	0
12.1 Civilian personnel benefits	0
21 Travel and transportation of persons	0
22 Transportation of things	0
23.3 Communications, utilities and miscellaneous charges	0
24 Printing and reproduction	0
25.1 Consulting services	0
25.2 Other services	0
25.3 Purchases of goods and services from Government accounts	0
25.5 Research and development contracts	0
26 Supplies and materials	0
31 Equipment	0
32 Land and structures	0
41 Grants, subsidies and contributions	\$32,922
99 Direct obligations	0
	<u>32,922</u>

Department of Commerce
National Institute of Standards and Technology
Construction of Research Facilities
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease)
11 Personnel compensation					
11.1 Full-time permanent	\$92	\$321	\$479	\$479	0
11.3 Other than full-time permanent	0	0	0	0	0
11.5 Other personnel compensation	1	1	2	2	0
11.9 Total personnel compensation	93	322	481	481	0
12.1 Civilian personnel benefits	17	81	111	111	0
13 Benefits for former personnel	0	0	0	0	0
21 Travel and transportation of persons	4	15	17	17	0
22 Transportation of things	1	1	1	1	0
23.3 Communications utilities, and miscellaneous charges	6	40	122	122	0
24 Printing and reproduction	0	2	4	4	0
25.1 Consulting services	0	0	0	0	0
25.2 Other services	171	19,776	14,505	14,505	0
25.3 Purchases of goods and services from Government accounts	5	24	78	78	0
26 Supplies and materials	124	140	352	352	0
31 Equipment	29	49	61	61	0
32 Lands and structures	2,299	140,237	51,346	84,268	\$32,922
41 Grants, subsidies and contributions	0	0	0	0	0
42 Insurance claims and indemnities	0	0	0	0	0
99 Total obligations	2,749	160,687	67,078	100,000	32,922
Transfer to NIST Working Capital Fund			0	0	0
Total Requirements			67,078	100,000	32,922

<u>Personnel Data</u>					
	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease)
Full-time equivalent employment:					
Full-time permanent	2	5	10	10	0
Other than full-time permanent	0	0	0	0	0
Total	2	5	10	10	0
Authorized Positions:					
Full-time permanent	2	5	10	10	0
Other than full-time permanent	0	0	0	0	0
Total	2	5	10	10	0

Department of Commerce
National Institute of Standards and Technology
Construction of Research Facilities
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	1995 Adjustments to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
11 Personnel compensation				
11.1 Full-time permanent				
Executive level	0	0	0	0
Senior executive service	0	0	0	0
General schedule	\$2	\$326	\$326	0
Wage board	153	153	153	0
Scientific & professional (P.L. 80-313)	0	0	0	0
Subtotal	155	479	479	0
11.3 Other than full-time permanent				
General schedule	0	0	0	0
Wage board	0	0	0	0
Scientific & professional (P.L. 80-313)	0	0	0	0
Experts & consultants	0	0	0	0
Student	0	0	0	0
Subtotal	0	0	0	0
11.5 Other personnel compensation				
Overtime	0	0	0	0
SES performance awards	0	0	0	0
Cash awards	1	2	2	0
Merit pay awards	0	0	0	0
Other	0	0	0	0
Subtotal	1	2	2	0
11.9 Total personnel compensation	156	481	481	0

NIST-225

		1995 Adjustments to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
	<u>Object Class</u>				
12.1	Civilian personnel benefits				
	Civil service retirement	5	12	12	0
	Federal employees' retirement	9	38	38	0
	Thrift savings plan	2	9	9	0
	Federal Insurance Contribution Act	6	24	24	0
	Health insurance	8	26	26	0
	Life insurance	0	2	2	0
	Employees' Compensation Fund	0	0	0	0
	Other	0	0	0	0
	Subtotal	30	111	111	0
13	Benefits for former personnel				
	Severance pay	0	0	0	0
	Unemployment compensation	0	0	0	0
	Other	0	0	0	0
	Subtotal	0	0	0	0
21	Travel and transportation of persons				
	Common carrier	0	6	6	0
	Mileage	0	0	0	0
	Per diem/actual	2	9	9	0
	Other	0	2	2	0
	Subtotal	2	17	17	0
22	Transportation of things				
		0	1	1	0

Object Class	1995 Adjustments to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
23.3 Communications, utilities, and miscellaneous charges				
Rental of ADP equipment	0	0	0	0
Rental of office copying equipment	2	3	3	0
Other equipment rental	10	12	12	0
Federal telecommunications system	3	5	5	0
Other telecommunications services	7	11	11	0
Postal Service by USPS	5	8	8	0
Utilities:				
Electric	37	56	56	0
Gas	11	17	17	0
Water/Sewer	7	10	10	0
Subtotal	82	122	122	0
24 Printing and reproduction				
Publications	0	2	2	0
Other	2	2	2	0
Subtotal	2	4	4	0
25.1 Consulting services	0	0	0	0
25.2 Other services				
Training:				
Office of Personnel Management	0	0	0	0
Other	2	4	4	0
Maintenance of equipment	530	545	545	0
ADP Services	4	18	18	0
Other non-government contracts	4,196	13,938	13,938	0
Subtotal	4,732	14,505	14,505	0

Object Class	1995 Adjustments to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
25.3 Purchases of goods and services from Government accounts				
Payments to GA, WCF	0	0	0	0
Other Federal agencies:				
Dept. of Commerce	35	53	53	0
Other	19	25	25	0
Subtotal	54	78	78	0
26 Supplies and materials				
Office & laboratory supplies	212	352	352	0
Scientific publications & journals	0	0	0	0
Fuel oil	0	0	0	0
Reactor Fuel	0	0	0	0
Subtotal	212	352	352	0
31 Equipment				
Office machines and other equipment	11	27	27	0
ADP equipment	1	30	30	0
Equipment depreciation	0	4	4	0
Subtotal	12	61	61	0
32 Lands and structures	110	51,346	84,268	32,922
41 Grants, subsidies and contributions	0	0	0	0
42 Insurance claims and indemnities	0	0	0	0
99 Total Obligations	5,392	67,078	100,000	32,922
Transfer to NIST Working Capital Fund	0	0	0	0
Total Requirements	5,392	67,078	100,000	32,922

Department of Commerce
National Institute of Standards and Technology

Construction of Research Facilities
APPROPRIATION LANGUAGE AND CODE CITATIONS

1. For construction of new research facilities, including architectural and engineering design, not otherwise provided for the National Institute of Standards and Technology, as authorized by U.S.C. 278c-278e,

15 U.S.C. 271-278e provide basic authority for the performance of the functions of the National Institute of Standards and Technology.

15 U.S.C. 278d provides... the Secretary of Commerce is authorized to undertake such construction of buildings and other facilities... as are necessary for the proper and efficient conduct of the activities authorized herein.

15 U.S.C. 278c provides that in the performance of the functions of the National Institute of Standards and Technology the Secretary of Commerce is authorized to undertake the following activities: ... (b) the core, maintenance, protection, repair, and alteration of Institute buildings and other plant facilities, equipment, and property; ...

2. \$100,000,000, to remain available until expended.

no specific authority

31 U.S.C. 718 - Appropriations in annual Appropriation Acts not permanent, states "No specific or indefinite appropriations... shall be construed to be permanent or available continuously... unless it is made in terms expressly providing that it shall continue available beyond the fiscal year for which the Appropriations Act in which it is contained makes provision."

3. Additional Authorizing legislation will be proposed for FY 1995.

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

Amount Available, 1994	Positions	FTE	Budget Authority
less: Working Capital Fund adjustment	1,031	1,122	\$3,870
less: FTE transfer to offset annualization of 1994 STRS program changes		(59)	(3,135)
less: FTE transfer to GA WCF for OGC	(1)	(1)	0
1995 Base	1,030	1,062	0
less: FTE savings	(15)	(15)	735
plus: Working Capital Fund transfer	0	0	0
1995 Estimate	1,015	1,047	14,000
			14,735

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
SUMMARY OF REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Page No.	Comparison by activity:	1993		1994		1995		1995		Increase/ (Decrease) Over 1995 Base
		FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	
NIST – 24	Extramural Programs									
	Advanced technology program									
	WCF transfers	0	0	0	\$1,170	0	0	0	\$1,200	0
	Reimbursable FTE/Obl	0	\$78	0	100	0	\$25	0	25	0
	Subtotal	0	78	0	1,270	0	25	0	1,225	0
NIST – 36	Technology transfer and outreach									
	WCF transfers	0	0	0	120	0	60	0	510	0
	Reimbursable FTE/Obl	2	1,818	2	101,008	2	25,000	2	25,000	0
	Subtotal	2	1,818	2	101,128	2	25,060	2	25,510	0
Measurement and engineering research and standards										
NIST – 88	Electronics and electrical engineering									
	WCF transfers	0	0	0	385	0	100	0	100	0
	Reimbursable FTE/Obl	169	15,978	111	12,742	94	11,768	92	11,768	(2)
	Subtotal	169	15,978	111	13,127	94	11,868	92	11,868	(2)
NIST – 94	Manufacturing engineering									
	WCF transfers	0	0	0	500	0	250	0	2,790	0
	Reimbursable FTE/Obl	159	19,330	109	16,541	108	16,541	106	16,541	(2)
	Subtotal	159	19,330	109	17,041	108	16,791	106	19,331	(2)

NIST-232

Page No.	Comparison by activity:	1993		1994		1995		1995		Increase/ (Decrease) Over 1995 Base	
		Actual		Currently Available		Base		Estimate		FTE Amount	
		FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
NIST - 106	Chemical science and technology										
	WCF transfers	0	0	0	175	0	50	0	2,905	0	2,855
	Reimbursable FTE/Obl	174	16,210	175	16,214	149	14,716	147	14,716	(2)	0
	Subtotal	174	16,210	175	16,389	149	14,766	147	17,621	(2)	2,855
NIST - 124	Physics										
	WCF transfers	0	0	0	0	0	0	0	0	0	0
	Reimbursable FTE/Obl	103	15,622	93	15,014	93	15,161	92	15,161	(1)	0
	Subtotal	103	15,622	93	15,014	93	15,161	92	15,161	(1)	0
NIST - 130	Materials science and engineering										
	WCF transfers	0	0	0	290	0	75	0	1,685	0	1,610
	Reimbursable FTE/Obl	129	14,399	115	13,558	115	13,661	113	13,661	(2)	0
	Subtotal	129	14,399	115	13,848	115	13,736	113	15,346	(2)	1,610
NIST - 142	Building and fire research										
	WCF transfers	0	0	0	0	0	0	0	0	0	0
	Reimbursable FTE/Obl	136	12,229	130	11,829	130	11,829	128	11,829	(2)	0
	Subtotal	136	12,229	130	11,829	130	11,829	128	11,829	(2)	0
NIST - 150	Computer systems										
	WCF transfers	0	0	0	1,230	0	200	0	5,355	0	5,155
	Reimbursable FTE/Obl	190	19,717	178	18,994	151	17,416	149	17,416	(2)	0
	Subtotal	190	19,717	178	20,224	151	17,616	149	22,771	(2)	5,155
NIST - 164	Applied mathematics and scientific computing										
	WCF transfers	0	0	0	0	0	0	0	0	0	0
	Reimbursable FTE/Obl	18	1,978	21	2,155	19	1,088	19	1,088	0	0
	Subtotal	18	1,978	21	2,155	19	1,088	19	1,088	0	0

Page No.	Comparison by activity:	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease) Over 1995 Base	
		FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
NIST- 170	Technology assistance										
	WCF transfers	0	0	0	0	0	0	0	190	0	190
	Reimbursable FTE/Obl	165	18,772	179	19,607	192	20,600	191	20,600	(1)	0
	Subtotal	165	18,772	179	19,607	192	20,600	191	20,790	(1)	190
NIST- 184	Research support activities										
	WCF transfers	0	0	0	0	0	0	0	0	0	0
	Reimbursable FTE/Obl	14	6,509	9	5,570	9	5,259	8	5,259	(1)	0
	Subtotal	14	6,509	9	5,570	9	5,259	8	5,259	(1)	0
Total, National Institute of Standards and Technology											
	WCF transfers	0	0	0	3,870	0	735	0	14,735	0	14,000
	Reimbursable FTE/Obl	1,259	142,640	1,122	233,332	1,062	153,064	1,047	153,064	(15)	0
	Total	1,259	142,640	1,122	237,202	1,062	153,799	1,047	167,799	(15)	14,000

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
SUMMARY OF FINANCING
(Dollar amounts in thousands)

	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease) Over 1995 Base
Total Obligations	\$142,640	\$237,202	\$153,799	\$167,799	\$14,000
Financing:					
Offsetting collections from:					
Federal funds	(124,566)	(199,653)	(121,667)	(121,667)	0
Non – Federal sources	(33,679)	(26,943)	(26,131)	(26,131)	0
Recoveries	0	0	0	0	0
Unobligated balance, start of year	(41,426)	(57,907)	(51,171)	(51,171)	0
Unobligated balance transferred	0	0	0	0	0
Unobligated balance, end of year	57,907	51,171	45,905	45,905	0
Unobligated balance lapsing	0	0	0	0	0
Budget Authority	876	3,870	735	14,735	14,000
Financing:					
Transfer from other accounts	(876)	(3,870)	(735)	(14,735)	(14,000)
Appropriation	0	0	0	0	0

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Goal Statement

The Working Capital Fund (WCF) reflects the full-time equivalent (FTE) employment and dollar estimates associated with the reimbursable work performed by NIST for other agencies and the public. In addition, these estimates reflect the transfer of appropriated funds to the WCF for the purchase of depreciable equipment. The WCF contains reimbursable obligations and transfers associated with the Scientific and Technical Research and Services Appropriation and the Industrial Technology Services Appropriation.

Base Program

NIST's reimbursable services consist of technical work performed for other Federal agencies, state, and local governments, and the private sector, including calibrations and special tests, advisory services, and the sale of Standard Reference Materials. The unique measurements and standards expertise developed with appropriated funding gives NIST the capability to perform these services on a reimbursable basis. NIST accepts other agency work based on an established set of criteria which include: (1) the need for traceability of measurements to national standards; (2) the need for work which cannot or will not be addressed by the private sector; (3) work supported by legislation that authorizes or mandates certain services; (4) work which would result in an unavoidable conflict of interest if carried out by the private sector or regulatory agencies; and (5) requests by the private sector for NIST action or services.

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease) Over 1995 Base
11 Personnel compensation					
11.1 Full-time permanent	0	0	0	0	0
11.3 Other than full-time permanent	0	0	0	0	0
11.5 Other personnel compensation	0	0	0	0	0
11.9 Total personnel compensation	0	0	0	0	0
12.1 Civilian personnel benefits	0	0	0	0	0
13 Benefits for former personnel	0	0	0	0	0
21 Travel and transportation of persons	0	0	0	0	0
22 Transportation of things	0	0	0	0	0
23.2 Rental payments to others	0	0	0	0	0
23.3 Communications, utilities, and miscellaneous charges	0	0	0	0	0
24 Printing and reproduction	0	0	0	0	0
25.1 Consulting services	0	0	0	0	0
25.2 Other services	0	0	0	0	0
25.3 Purchases of goods and services from Government accounts	0	0	0	0	0
25.5 Research and development contracts	0	0	0	0	0
26 Supplies and materials	0	0	0	0	0
31 Equipment	\$876	\$3,870	\$735	\$14,735	\$14,000
32 Land and structures	0	0	0	0	0
41 Grants, subsidies, and contributions	0	0	0	0	0
42 Insurance claims and indemnities	0	0	0	0	0
99 Total Obligations	876	3,870	735	14,735	14,000

Personnel Data

Full-time equivalent employment:

Full-time permanent
Other than full-time permanent
Total

Authorized Positions:

Full-time permanent
Other than full-time permanent
Total

	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease) Over 1995 Base
Full-time permanent	1,134	1,017	957	942	(15)
Other than full-time permanent	125	105	105	105	0
Total	1,259	1,122	1,062	1,047	(15)
Full-time permanent	1,196	1,031	1,030	1,015	(15)
Other than full-time permanent	178	149	149	149	0
Total	1,374	1,180	1,179	1,164	(15)

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	1995 Adjustment to Base	1995 Base	1995 Estimate	Increase/ (Decrease) Over 1995 Base
31 Equipment				
Office machines and other equipment	0	\$675	\$8,137	\$7,462
ADP equipment	0	60	6,598	6,538
Equipment depreciation	0			0
Subtotal	0	735	14,735	14,000
99 Total Obligations	0	735	14,735	14,000

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
Working Capital Fund
CONSULTING AND RELATED SERVICES
(Obligations in thousands of dollars)

	FY 1993 <u>Actual</u>	FY 1994 <u>Estimate</u>	FY 1995 <u>Estimate</u>
Studies, Analysis and Evaluations	\$3,781	\$3,301	\$3,310
Management and Professional Services	<u>335</u>	<u>444</u>	<u>463</u>
Total	4,116	3,745	3,773

Significant Activities

Consulting and related services funded by the Working Capital Fund represent services funded by reimbursable funds in support of reimbursable work conducted at NIST. Significant activities include:

- (1) technical and advisory services to the NIST/Navy Center of Excellence in Manufacturing to improve manufacturing capabilities, identify and procure best manufacturing practices, identify and document manufacturing operations which require and can derive benefit from advancements in manufacturing capabilities through government-industry cooperative projects. NIST's Automated Manufacturing Engineering Research Facility (AMRF) is funded by the Navy Manufacturing Technology Program as a Navy Center of Excellence in Manufacturing.
- (2) reimbursable share of the review and evaluation of the technical functions and operations of NIST by Boards of Assessment of the National Academy of Sciences. The Evaluation Panels consider the importance and relative priority of projects, quality of staff, equipment needs, finances, and the relation of the program to the mission of NIST.

Need for Consulting Services:

The need for consulting and related services stems from the NIST role in dealing with the private sector, professional organizations, and the public sector. Inputs must be obtained from consultants who can bring their individual expertise to bear and help NIST in assessing its program plans to meet the needs of its customers. The alternative to utilizing these services is to make no attempt to have expertise from sources outside NIST and risk having a poorer working and professional relationship with those in the business of using the products and services offered by NIST.

Internal Controls to Ensure Appropriate Use:

Requisition requests from NIST program managers for advisory and assistance services must be accompanied by written justification for the need for such services. Personal services contracts require review by the Personnel Office.

Working Capital Fund, National Institute of Standards and Technology (NIST)

The operations of the NIST Working Capital Fund are reported in a program and financing schedule printed in the President's Budget, as well as reflected in the reimbursable amounts throughout this budget. The fund finances the initial costs of work performed by NIST and is reimbursed by applicable appropriations and advances or reimbursements from other agencies and the public. A detailed cost accounting system is used to ensure that the actual cost of work performed for each job or task is recorded and identified with the appropriate source of financing. In addition to its function as a revolving fund, the Working Capital Fund is also used to handle annual and sick leave on an accrued basis, to acquire equipment as an investment to be recovered through depreciation charges to programs, to distribute indirect costs to programs as overhead, to carry the recoverable costs associated with the production of Standard Reference Materials, and to carry supply inventories until issued for program use.

The table below summarizes the total NIST program, according to the source of financing. Following this table is a summary of the NIST reimbursable program by sponsor and source of support.

Summary of Total NIST Program

(Obligations in thousands)

Source and Use of Funds Spent	FY 1993			FY 1994			FY 1995		
	Perm. Pos. ¹	FTE	Oblig.	Perm. Pos. ¹	FTE	Oblig.	Perm. Pos. ¹	FTE	Approp. Requested
Direct Funding									
Scientific and technical research and services	1,616	1,701	\$191,756	1,864	1,946	\$233,857	2,000	2,088	\$304,015
Industrial technology services	122	128	75,243	209	212	287,392	240	240	517,250
Construction of research facilities	2	2	2,749	5	5	160,687	10	10	100,000
Gifts and bequests	...	...	35	...	...	25	...	...	25
Total, direct funding	1,740	1,831	269,783	2,078	2,163	681,961	2,250	2,342	935,000
Reimbursable Funding and WCF Investments									
Research, development and supporting services:									
Federal government	812	855	104,455	647	718	192,655	631	643	112,333
Calibrations and tests, technical and advisory services:									
Federal government	33	35	3,530	33	35	3,733	33	35	3,730
Public and non-Federal government	247	259	26,511	247	259	28,033	247	259	28,001
Subtotal, Services	280	294	30,041	280	294	31,766	280	294	31,731
Standard reference materials (SRMs):									
SRM Sales:									
Government	5	6	547	5	6	550	5	6	555
Public	99	104	8,737	99	104	8,750	99	104	8,795
Subtotal, SRM sales	104	110	9,284	104	110	9,300	104	110	9,350
SRM program adjustments	...	...	(700)	...	...	(389)	...	...	(350)
Subtotal, SRM production/operations	104	110	8,584	104	110	8,911	104	110	9,000
WCF investments and operating adjustments	...	...	(440)	...	...	3,870	...	...	14,735
Total, Reimbursable funding and WCF investments	1,196	1,259	142,640	1,031	1,122	237,202	1,015	1,047	167,999
Total, NIST program	2,936	3,090	412,423	3,109	3,285	919,163	3,265	3,389	1,089,089

¹Most NIST scientists and engineers are not engaged solely on one research project. An individual may divide his time between two or more projects financed by different sources of support. Also, salary costs of many staff members are charged to an overhead account and subsequently prorated to all directly funded projects. For these reasons, it is not possible to report employment directly for any source of financing. The Permanent Positions above are statistically-derived numbers, based on the estimated work years distribution for NIST programs.

NIST TOTAL REIMBURSABLE PROGRAM BY SOURCE OF SUPPORT
(Dollar amounts in thousands)

	1993 Actual	1994 Estimate	1995 Estimate
Other Agency Funding:			
Department of Defense			
Air Force	\$17,149	\$14,235	\$11,498
Army	6,598	5,492	5,475
Navy	18,590	12,429	11,788
Other	19,136	118,869	43,130
Subtotal, Department of Defense	61,473	151,025	71,891
Department of Agriculture	106	113	74
Department of Commerce	5,318	3,644	3,483
Consumer Product Safety Commission	473	554	477
Department of Justice	2,167	2,489	2,487
Federal Emergency Management Agency	394	794	794
Department of Education	23	23	23
Department of Energy	11,175	11,197	11,491
Environmental Protection Agency	1,570	2,324	2,034
General Services Administration	1,213	1,555	1,264
Department of Health and Human Services	2,014	1,977	1,444
Department of Housing and Urban Development	535	835	835
Department of the Interior	1,118	1,108	1,118
National Science Foundation	1,049	1,046	1,046
National Aeronautics and Space Administration	5,169	4,934	5,476
Nuclear Regulatory Commission	1,102	1,185	902
Postal Service	293	343	293
Department of State	302	322	307
Department of Transportation	2,956	2,299	2,224
Department of the Treasury	1,563	1,495	844
Department of Veterans Affairs	575	593	693
Other	3,867	2,802	3,133
Total, Other Agency	104,455	192,655	112,333
Calibrations and Tests	7,831	7,743	7,652
Standard Reference Materials (SRM)	8,584	9,000	9,000
Technical and Advisory Services	22,210	24,023	24,079
WCF Investment/Operating Adjustments	(440)	3,870	14,735
Total, Reimbursable Program	142,640	237,202	167,799

Department of Commerce
National Institute of Standards and Technology

PERIODICALS, PAMPHLETS, AND AUDIOVISUAL PRODUCTS
(Obligations in thousands)

	1992 Actual	1993 Actual	1994 Estimate	1995 Estimate
Periodicals	\$11.4	12.5	16.0	19.2
Pamphlets	49.1	49.4	53.0	53.0
Audiovisuals	0	3.0	28.5	0
Total	60.5	64.9	97.5	72.2

The National Institute of Standards and Technology produces only one periodical - The Journal of Research. The Journal of Research of the National Institute of Standards and Technology, issued six times a year, reports NIST research and development in those disciplines of the physical and engineering sciences in which NIST is active (physics, chemistry, engineering, mathematics, and computer sciences).

Department of Commerce
National Institute of Standards and Technology

Average Grade and Salary

	1993 Actual	1994 Estimate	1995 Estimate
Average ES salary	\$105,046	\$109,489	\$111,241
Average GS grade	11.37	11.33	11.49
Average GS salary	52,697	54,073	55,250
Average salary of ungraded positions	29,947	31,214	31,713

Mr. SMITH. We are fortunate to have with us today the Under Secretary of Commerce for Technology, Dr. Mary Good, and Arati Prabhakar, Director of the National Institute of Standards and Technology. Since this is the first time for both of you to testify before the Subcommittee, we will insert both of your biographical sketches into the record. Dr. Good, you may proceed as you please.

Dr. GOOD. Okay. Thank you, Mr. Chairman.

OVERVIEW

We really appreciate the opportunity to come and visit with you, and in the interest of time, Dr. Prabhakar and I are going to represent the Technology Administration today. We have already submitted written statements, and with your acquiescence, we will just give you some highlights and leave it open then for questions and discussion.

Mr. SMITH. Okay. That is good.

Dr. GOOD. What I would like to do first is to introduce most of the Technology Administration team today. With us is Dr. Graham Mitchell, who was just confirmed last week as the Assistant Secretary for Technology Policy and has had a number of years in the industry and in research planning and policy; Don Johnson is the Director of NTIS, the National Technical Information Service.

So we have our whole team here today, and we think we can try to answer the questions that you have.

Mr. SMITH. All right.

Dr. GOOD. The three groups that we have to talk about are the Office of Technology Policy, NIST, and the National Technical Information Service.

I am going to speak briefly about the Under Secretary's office, the Office of Technology Policy, and say a few words about the request this time for NTIS, and let Dr. Prabhakar speak to the NIST budget, which is the biggest piece of our budget, as you know. So let me just take a few minutes to do that.

The way we are set up, the requests for the Office of the Under Secretary and the Office of Technology Policy presently are budgeted together. We are asking for a significant increase in that budget. It will not go up forever, as I promised Ms. Chadbourne at an earlier briefing, but what we need to do is to get adequate resources to handle that office in a rational way.

The Under Secretary's office has been essentially given the responsibility for the leadership position within the Department of Commerce for the technology efforts that we have under way. We have put together a couple of pieces already, one called "Commerce Acts," where we have really put together the entire technical operation for the Department of Commerce so you can look at it and understand what we are doing.

Secondly, I am the Chairman for the new Civilian Industrial Technology Committee, the major committee within the new National Science and Technology Council, which is the replacement for FCCSET. The charge to that committee is to try to coordinate the technology resources that the government is going to put into R&D that so as to strengthen the civilian technology infrastructure.

Thirdly, we are also, as you know, the Secretariat for the "Clean Car" initiative. So we are asking for here in the Under Secretary's office adequate resources to run that office and to manage these oversight kinds of functions.

Now, as to the increase in the Office of Technology Policy, there are three additional goals that we have set. One of them is to really look at the manufacturing technology competitiveness in the United States. We have set up the manufacturing centers; we now have outreach to the small and medium-sized businesses.

We would like to have an annual report which allows you to know where we are in the manufacturing sector. In the past we have understood where the major manufacturers were pretty well, but we really didn't have a good view of what the manufacturing infrastructure all the way down to the second and third-tier manufacturers were all about. We would very much like to do that. That is one of the thrusts that is in here for the Office of Technology Policy.

The second one has to do with the fact that we believe we need to understand better where we are competitively. We need to understand what the rest of the world is doing, and where we are with respect to the developing world in technology. We need to understand that if we are to make good investment choices with the monies that we have.

For example, over the past few years, we have been very much involved with the technology status in Japan, but my view is that today, perhaps the most important technology status we need to know about is the status of technology in China.

And we need to understand that now if we are going to begin not to get into some of the kinds of difficulties that we were in in the early 1980s with respect to the competition that we had in Japan. We need to know where that competition in technology is coming from.

So we are in the process of setting up some benchmarking studies that will allow us to do that. We are working with the other government agencies; we are not going to do all of that data ourselves. A lot of it is collected around the government. The issue is to put it together in a usable form.

We are working very closely with the International Trade Administration, which does some of this already. We are interested in working with some of the offices, in the Department of Energy in bringing that together so that we can give you what our view is of the commercial technology situation in these emerging and developed countries.

We think that would be extraordinarily useful information to have, in language that is easy to understand and put together in one place, and which just gives you the overview of where we are.

The last thing we have not done well in the United States is looking for technology in other countries as other countries have done in getting our technology. We need to understand how to motivate our industry to look at technology as a global enterprise, to find out where technology exists elsewhere, and to begin to access that, if that is appropriate.

So, we are beginning to work with the science and technology agreements that we have with the State Department, ITA, and

with the trade associations to begin to understand if there is technology there. If so, getting our industry to understand where it is, and assessing it, if that is what makes sense to them in building a global environmental competitive position. We think that is one of the areas where we can make a big difference.

So the major increases that you see for the Office of Technology Policy are to provide that kind of information, what I call taking data and making information out of it, in areas where we need that kind of information.

The last increase has to do with NTIS, the National Technical Information Service. We are asking for a one-time \$18 million essentially capital request. NTIS, as you know, is a self-sustaining organization.

As you know, in the last two years, after some difficulties, Dr. Johnson began to work with NTIS. We have had government audits and outside independent auditors give us a clean bill of health, and we are indeed a self-supporting entity.

NTIS has the legislative responsibility to get all of the technical documents created by the government in whatever form, be they reports, proposals, whatever.

In addition to that, we have the responsibility for some of the business information which accompanies that technical information. In the last year, we have put up an on-line system called FedWorld which allows you to come in from a modem and from that, you can search the databases, and find out who has what.

We have other government agencies that are putting their databases on as well, so you can access FEDWORLD and we can point you in the right direction to get that information. The response has just been incredible. We have had something like 900,000 entries in that system in the last six to eight months. The response has just been overwhelming.

We cannot keep up with the requests, nor can we deliver the product that we need to without upgrading the system. If we build a sinking fund and charge our current customers, we will not get there in the time frame that the public would like for us to do it in. So what we are asking for is a one-time infusion of capital. Six million of the \$18 million would be used to upgrade FedWorld and put into it the software and hardware to make it capable of handling the requests that we see.

About another \$6 million would be used to support some of the depository libraries that do not have the equipment to take our information on-line, to get some of them up to the point where they could receive this information.

The last \$6 million is to essentially provide some modernization equipment so that most of Commerce and possible some other agencies can transmit information products on-line rather than just in hard copy.

Our vision for NTIS is that you would be able to come in from a PC, find what you want, look at the abstract to decide if you want that document, give us your credit card number, and we will let you download and copy that at your PC.

That means we don't need warehouses, we don't need a lot of extra hard copy; everything is in the database in electronic form and we can fill the orders electronically; and you can download

them at your end. If you don't have a capability for downloading or you want it in hard copy, you give us your credit card, and we will ship it to you express if you want it, or we will ship it regular mail, and charge you the cost.

That is the vision—to make information available through on-line services to the extent that it is possible. So the \$18 million that you see there is to put us in a position to do that in a time efficient way. If we have to do it over time, building the kind of fund that would be necessary, it would take us a long time to do it, and that would be very inefficient. The technology moves very fast. Accordingly, we are asking for a one-time equipment and infrastructure upgrade to carry that out.

So that is the essence of the increases that we are asking for the Under Secretary's office, the Office of Technology Policy and NTIS.

Mr. SMITH. Boy, we have come a long way. I used to fly in here when I was practicing law, I would fly to Pittsburgh because they had a place to get a bed in the airport at night, you fly in there one evening, get up the next morning, and get down here in an hour so you can go to some department to get a piece of paper, or exchange papers with them and then fly back home.

Now, you do it in a few minutes.

Dr. GOOD. To give you an idea of how useful it really can be, FedWorld had available online the President's budget at the time he began to speak. That meant that you could begin to download that yourself essentially as the President began to speak. Once the embargo was off, it was loaded and ready to go, and you can take pieces of it, you can look at it, take however much of it you want, or take all of it.

Mr. SMITH. Do either one of you have anything to say?

Dr. GOOD. Yes. I am going to let Dr. Prabhakar say a few words about NIST where the big money and the big budget is.

[The biographical sketch and prepared statement of Dr. Good follow:]

DR. MARY LOWE GOOD
Under Secretary for Technology
U.S. Department of Commerce
Washington, DC

Dr. Mary L. Good was nominated by President Clinton to serve as the Commerce Department's Under Secretary for Technology. Her nomination was confirmed by the U.S. Senate on August 5, 1993. Dr. Good directs Commerce's Technology Administration which is the focal point in the federal government for assisting U.S. industry to improve its productivity, technology and innovation in order to compete more effectively in global markets. In particular, the Administration works with industry to eliminate legislative and regulatory barriers to technology commercialization and to encourage adoption of modern technology management practices. The Technology Administration is comprised of the National Institute of Standards and Technology, the National Technical Information Service, and the Office of the Assistant Secretary for Technology Policy.

In addition to her role as Under Secretary for Technology, Dr. Good chairs the Federal Coordinating Council on Science, Engineering and Technology - Committee on Industry and Technology (FCCSET/CIT), and serves on the FCCSET Committee on Physical, Mathematical and Engineering Sciences (CPMES).

Prior to joining the Administration, Dr. Good was the senior vice-president of technology at Allied-Signal Inc., where she was responsible for the centralized research and technology organizations with facilities in Morristown, NJ; Buffalo, NY; and Des Plaines, IL. This position followed assignments as President of AlliedSignal's Engineered Materials Research Center, Director of the UOP Research Center, and President of the Signal Research Center. Dr. Good's accomplishments in industrial research management are the achievements of a second career, having moved to an industrial position after more than 25 years of teaching and research in the Louisiana State University system. Before joining AlliedSignal, she was professor of chemistry at the University of New Orleans and professor of materials science at Louisiana State University, where she achieved the university's highest professional rank, Boyd Professor.

Dr. Good was appointed to the National Science Board by President Carter in 1980 and again by President Reagan in 1986. She was the Chairman of that Board from 1988 until 1991 when she received an appointment from President Bush to become a member of the President's Council of Advisors on Science and Technology (PCAST). Dr. Good also served on the boards of Rensselaer Polytechnic Institute, Cincinnati Milacron, and Ameritech. She was also a member of the National Advisory Board for the State of Arkansas.

Dr. Good is an elected member of the National Academy of Engineering, a past president of the American Chemical Society, a Fellow of the American Association for the Advancement of Science, a member of the American Institute of Chemists, the Royal Society of Chemistry, and serves on the executive committee for the International Union of Pure and Applied Chemistry. She has been active on the boards of directors of such groups as the Industrial Research Institute, Oak Ridge Associated Universities, and the National Institute for Petroleum and Energy Research. She has also served on advisory panels for the National Research Council, the National Bureau of Standards, the National Science Foundation Chemistry Section, the National Institute of Health, and NASA.

Dr. Good received the National Science Foundation's Distinguished Public Service Award, the Albert Fox Demers Medal Award from Rensselaer Polytechnic Institute, the American Association for the Advancement of Science Award, the American Institute of Chemists' Gold Medal, and was chosen Scientist of the Year by Industrial Research and Development magazine. She was elected as a Foreign Member of the Royal Swedish Academy of Engineering Sciences in 1990, became a member of the Tau Beta Pi Association (the Engineering Honor Society), was awarded the Charles Lathrop Parsons Award of the American Chemical Society, and received the Industrial Research Institute Medalist Award. She has published over 100 articles in refereed journals and is the author of a book, Integrated Laboratory Sequence, published by Barnes and Noble.

Dr. Good received her B.S. in chemistry from the University of Central Arkansas and her M.S. and Ph.D. degrees in inorganic chemistry from the University of Arkansas. She has also received numerous awards and honorary degrees from many colleges and universities, including most recently the College of William and Mary and the Polytechnic University of New York.

DR. MARY LOWE GOOD
Under Secretary for Technology
U.S. Department of Commerce
Washington, DC

ACADEMIC BACKGROUND:

- B.S., Chemistry, University of Central Arkansas, 1950
- M.S., Chemistry, University of Arkansas, Fayetteville, 1953
- Ph.D., Chemistry, University of Arkansas, Fayetteville, 1955

FORMER PROFESSIONAL OCCUPATION:

- Senior Vice President-Technology, AlliedSignal, 1988-1993
- President-Engineered Materials Research, AlliedSignal, 1986-88
- President-Director of Research, Signal Research Center Inc. (now Allied Signal Research and Technology Laboratory), 1985-86
- Vice President-Director of Research, Corporate Research Center, UOP Inc., 1980-85
- Boyd Professor of Materials Science, Division of Engineering Research, Louisiana State University, Baton Rouge, LA, 1978-80
- Boyd Professor of Chemistry, University of New Orleans, 1974-78
- Professor of Chemistry, University of New Orleans, 1963-74
- Associate Professor of Chemistry, Louisiana State University, New Orleans, LA, 1958-63
- Instructor and Assistant Professor of Chemistry, Louisiana State University, Baton Rouge, LA, 1954-58

NATIONAL SCIENCE POLICY POSITIONS

- President Bush's Council of Advisors on Science and Technology (PCAST) 1991-93
- National Science Board, Presidential Appointment 1980-86; Reappointment 1986-91; Vice Chairman 1984-86; Chairman 1988-91
- Elected Member of the Council of the National Academy of Engineering, 1988-1993
- Member of the Joint High Level Oversight Advisory Panel to the United States-Japan Agreement on Cooperation in Research and Development in Science and Technology, 1988-1993
- National Research Council/National Academy of Science Panel on the Impact of National Security Controls in International Technology Transfer, 1986
- NASA Space Systems and Technology Advisory Committee, 1992-1993

MEMBERSHIP IN PROFESSIONAL ORGANIZATIONS:

- American Chemical Society, 1951-present; President 1987, Board of Directors, 1971-80; Board Chairman 1978, 1980
- Industrial Research Institute, 1980-present; Board of Directors 1982-87
- International Union of Pure and Applied Chemistry (IUPAC), President, Inorganic Division, 1980-85; Member of Bureau, 1985-93
- Royal Society of Chemistry (Brit.) 1960-present, Fellow, 1982-present
- Royal Swedish Academy on Engineering Sciences, Foreign Member, 1990-present
- American Institute of Chemists, 1965-present
- Sigma Xi, 1952-present
- Alpha Chi Sigma, 1975-present
- Research Directors of Chicago Association, 1981-present
- Catalysis Club of Chicago, 1981-present

MEMBERSHIPS ON OUTSIDE BOARDS:

- Cincinnati Milacron Inc. Board of Directors, 1989-1993
- Rensselaer Polytechnic Institute, Board of Trustees, 1982-1993
- Ameritech, Board of Directors, 1992-1993

OTHER PROFESSIONAL ACTIVITIES:

- Advisory Board of Stevens Alliance for Technology Management, 1991-1993
- NASA Space Systems and Technology Advisory Committee (SSTAC) Ad Hoc Review Team on Advanced Life Support Technology, 1990-91
- Advisory Committee, Oak Ridge National Laboratory, 1987-90
- National Research Council Commission on Physical Sciences, Mathematics, and Resources, 1986-88
- Board of Directors, Oak Ridge Associated Universities, 1971-76
- Board of Directors of the National Institute for Petroleum and Energy Research (Bartlesville, OK)
- National Bureau of Standards Panel for Materials Science, 1980-86
- Advisory Panels, NSF Chemistry Section, 1972-76; NIH Committee on Medicinal Chemistry, 1972-76;
- Office of Air Force Research, 1974-78; Chemistry Division of Brookhaven and Oak Ridge National Laboratories, 1973-83; Mayor Byrne's Chicago Task Force on High Technology Development
- PACE Review Panel, Universities Space Research Association
- Advisory Panel, Chemical Technology Division of ORNL
- Advisory Panel, Catalysis Program, Lawrence-Berkeley Laboratory
- Past External Advisory Committee, College of Engineering at Louisiana State University and Review Committees for Chemistry Department Graduate Programs at University of Texas-Austin, University of Texas-Dallas, University of California-San Diego, and Harvard University

MEMBERSHIPS IN STATE AND COMMUNITY ORGANIZATIONS:

- National Advisory Board for the State of Arkansas
- Zonta International, 1965-present, Chairman, Amelia Earhart Awards Committee, 1978-88. Member of the International Board 1988-90. President of Zonta International Foundation 1987-93.
- Chicago Network, 1983-present

PUBLISHED WORKS:

- Approximately 100 articles in refereed technical journals
- Several publications on science policy and research management strategy
- One book: Integrated Laboratory Sequence: Volume III - Separations and Analysis, Barnes and Noble, Inc., New York, NY, 1970

HONORS:

- Albert Fox Demers Medal Award, Rensselaer Polytechnic Institute, 1992
- National Science Foundation Distinguished Public Service Award, 1992
- American Association for the Advancement of Science Award, 1992
- American Association of State Colleges and Universities Distinguished Alumnus Award, 1991
- ASM International (The Materials Information Society) Distinguished Life Membership Award, 1991
- Industrial Research Institute Medalist Award, 1991
- Charles Lathrop Parsons Award, American Chemical Society, 1991
- The Tau Beta Pi Association, South Carolina Gamma Chapter Member, 1990
- Delmer S. Fahrney Medal, Franklin Institute, 1988
- Elected Member, National Academy of Engineering, 1987
- Elected Fellow, American Association for the Advancement of Science, 1986
- Gold Medal, American Institute of Chemists, 1983
- Scientist of the Year, Industrial Research & Development Magazine, 1982
- Garvan Medal, American Chemical Society, 1973
- Florida Award, Florida Section, American Chemical Society, 1979
- Herty Medal, Georgia Section, American Chemical Society, 1975
- American Institute of Chemists Honor Scroll, Louisiana Chapter, 1974
- Distinguished Alumnae Citation, University of Arkansas, 1973
- Agnes Faye Morgan Research Award, 1969
- Honorary Doctorates: University of Arkansas, 1979; University of Illinois-Chicago, 1983, Clarkson University, 1984; Eastern Michigan University, 1986; Duke University, 1987; St. Mary's College, 1987, Kenyon College, 1988, Lehigh University, 1989, New Jersey Institute of Technology, 1989;

Northeastern Illinois University, 1989; Stevens Institute of Technology, 1989; University of South Carolina, 1989, Manhattan College, 1992; College of William and Mary, 1992; Polytechnic University, 1992; State University of New York at Binghamton, 1994

- Honorary Law Degree: Newcomb College of Tulane University, 1991
- Honor Societies: Iota Sigma Pi, Phi Beta Kappa
- New Jersey Women of Achievement Award, Douglass College at Rutgers University, 1990
- American Society of Mechanical Engineers Ralph Coats Roe Medal, November 1993

PERSONAL INFORMATION:

- Born in Grapevine, TX; June 20, 1931
- Married Bill J. Good, May 1952
- Two sons: Billy John and James Patrick
- Four grandsons: Max, Winston, William, and Walker

8/10/93

STATEMENT OF MARY L. GOOD
UNDER SECRETARY OF COMMERCE FOR TECHNOLOGY
BEFORE THE
HOUSE APPROPRIATIONS SUBCOMMITTEE ON
COMMERCE, JUSTICE, STATE, THE JUDICIARY AND
RELATED AGENCIES
ON
THE PRESIDENT'S BUDGET REQUEST FOR FY 1995 FOR
THE TECHNOLOGY ADMINISTRATION
MARCH 10, 1994

Mr. Chairman and members of the Subcommittee, I am delighted to appear before you today to present the President's budget request for the Technology Administration for fiscal year 1995. With me are Deputy Under Secretary Gary Bachula, Assistant Secretary for Technology Policy Graham Mitchell, National Institute of Standards and Technology Director Arati Prabhakar, and National Technical Information Service Director Donald Johnson.

I take great pride in this team. I believe the Subcommittee will agree with me that I have been blessed with excellent leadership in the Technology Administration. This team is fully prepared to manage the civilian technology program outlined in the President's budget request. I would like to give you an overview of that request with some specifics pertaining to the Office of the Under Secretary, the Office of Technology Policy, and NTIS. Dr. Prabhakar will present the details for the largest portion of our request, that of the National Institute of Standards and Technology.

For FY 1995, the Clinton Administration is requesting \$964.3 million for all of TA's programs, an increase of about \$438.4 million over the \$526 million appropriated in FY 94. The request amounts to only about 1.3% of the \$73 billion budgeted for federal R&D and related facilities.

This represents a continuation of the Clinton Administration's ongoing efforts to achieve parity between the Government's

military and civilian R&D investments, to increase investment in applied and developmental research while also maintaining our commitment to basic research, and to channel investment into those programs that have proven their worth and that have demonstrated their ability to contribute to the nation's technological well-being. It will help the Technology Administration assess the many factors that can affect the climate for innovation and commercialization that go beyond technical issues, such as tax, antitrust, and patent policies, management practices, and others.

The budget request reflects certain specific lessons that the nation has learned over the past twenty years.

First, there can no longer be debate over the importance of technology to our nation's economy. As the President noted in the Economic Report submitted to Congress last month, advances in technical know-how have accounted for more than 25% of America's economic growth since the end of World War II.

Second, the investments most important to the economy and deserving of public support are those that generate spillover benefits for interconnected sectors and that will drive the next generation of R&D. A nation such as ours with a rich science and technology base should seek to remain strong in as many of the cross-cutting technologies of the future as resources permit.

Prudent asset managers, such as mutual fund managers, will typically diversify their investments to spread risk. That is exactly the way we should manage our national technology portfolio.

Third, these investments won't just happen by themselves. Advanced technologies today increasingly involve interconnected disciplines, require managers and workers to think creatively, entail massive investment, and can impact many different industries. The potential benefits to the economy can far exceed what a single innovator, firm, or even industry can hope to recover. To obtain these broad benefits, we must strive to develop many different industrial applications of a given technology, much as the Japanese have sought to do through their keiretsu system.

Fourth, notwithstanding the need for public support, throwing federal dollars at technology problems won't solve them. What is needed is a way of ensuring that government's investments mesh with, and leverage, industry's own R&D agenda and are closely coordinated with industry's own investment patterns.

Fifth, investments in advanced technologies must be complemented by investments in production, or manufacturing, technology. Everybody instinctively understands the importance of being able to turn out quality products quickly and efficiently and, what's

more, of customizing them to take advantage of niche markets. But that is literally just the tip of the iceberg. What is often unappreciated is the relationship between manufacturing and innovation and the diffusion of new technology.

A competitor who wants to improve its product but can only do so by shutting down the production line and retooling can never win against a rival who, by taking advantage of modern manufacturing methods and practices, can innovate by making constant, incremental improvements, all the while keeping the production lines fully operational. Old-fashioned competitors will be resisting change and will be performing cost-benefit studies while their more nimble rivals will be introducing newer, constantly improved products.

And sixth, in this global village we all inhabit, in this world of accelerated technological advancement that puts a premium on getting to the market first, there is no commodity more precious than timely information about technological developments, new management practices, market opportunities, your strength relative to that of your competitors, and similar factors that can make the difference between success and failure.

The President's budget reflects each and every one of these realities.

For my own office and that of the Assistant Secretary for Technology Policy, the Administration is requesting \$11.3 million. The President believes that the Technology Administration can become a forceful and dynamic agent for designing and implementing, in partnership with industry, the vital manufacturing and technology strategies needed to thrive in an increasingly competitive world economy. That's a vision I share and why I feel privileged to have been asked to serve as Under Secretary at this time. However, I can't do the job without reasonable resources.

The increased funding will enable us to begin the first of what I hope will become an annual assessment of the health of the U.S. manufacturing base. Federal policymakers and industry itself must have a clear sense of the comparative strength of the manufacturing sector and the extent to which it is or is not adopting modern manufacturing practices.

To make this point as clear as I know how, we often hear people applaud U.S. success in developing digital HDTV who do not really appreciate that producing such TVs in the United States will require mass production skills that produce a quality, cost-effective product. Manufacturing weakness was a major contributor to our loss of the consumer electronics industry. I think the U.S. ought to be the prime beneficiary of its own ingenuity, but without first rate manufacturing practices, that

cannot be guaranteed.

And that's not the only instance where relative evaluations are called for. The increased funding will also permit us to begin a series of industry outreach activities aimed at developing benchmarks for assessing the performance of several strategic industries and sectors. National titles mean nothing when you are competing in the Olympics - we have to know how we stack up against the best the world has to offer.

In a related initiative, the Technology Administration will develop plans for encouraging firms in strategic industries to come together to set goals, to identify barriers that impede the achievement of those goals, and to tell federal policymakers how we can help. Our program should reflect these insights from our industrial partners and the development of success measurements and assessments must include appropriate industry-verified success standards.

The increased funding will also support me directly in my role as chair of the committee coordinating federal participation in the Partnership for a New Generation of Vehicles initiative, as chair of the new Civilian Industrial Technology Committee of the National Science and Technology Council, and as a principal coordinator of the Department of Commerce's Advanced Civilian Technology Strategy. That Strategy outlines Secretary Brown's

comprehensive vision for bringing the full resources of the Department to bear in support of job creation and economic growth.

And lastly, that increase will permit the Office of Technology Policy to expand its activities aimed at improving access by U.S. industry to the best foreign science and technology. The increase will permit us to expand the successful U.S.-Japan Technology Fellowship Program, increase the quantity and quality of Japanese technical information available here and begin planning similar programs for the Pacific Rim and European Union, serve as secretariat to the new U.S.-Israel S&T Commission, and help ensure that U.S. interests are fully protected in all multinational and bilateral science and technology negotiations.

Improving access to science and technology brings me to another major component of the TA budget: an \$18 million dollar request to support three initiatives developed by the National Technical Information Service that are aimed at expediting the transition to full electronic dissemination of scientific, technical and other government information to all users.

In 1992 Congress made three major interrelated changes to NTIS' charter. It told us to begin plans for developing an online locator system to provide effective and comprehensive access to Government information. It also told federal agencies to make

sure NTIS got copies of all of their S&T publications. Finally, it made the production and dissemination of information products in electronic format a specific subset of NTIS' broader statutory mandate to implement new methods or media for disseminating information.

As a result we have established an electronic marketplace known as FedWorld through which the private sector can locate and order federal information. We estimate that it will serve 900,000 callers this year who will download 600,000 files. Given the short time that this system has been operational, we feel this will be a remarkable achievement. However, we are unable to grow the system on earned revenues fast enough to meet the demand. We also have in place final regulations that should greatly expand NTIS' inventory and its ability to get current information out to consumers. However, not all of that information comes to us in electronic or other formats that our customers need or can use.

Accordingly, the Administration is requesting a one-time capital investment of \$6 million to allow us to gain additional capacity and other enhancements that will permit FedWorld to serve the tens of thousands of daily callers that a fully operational system ought to be able to handle. We are also requesting \$6 million to enable NTIS to convert information from whatever form it is received into electronic or other format desired by individual consumers. We also need to provide support to other

federal agencies, especially those in the Department of Commerce, seeking to create electronic information products. And last, but perhaps most important, we are requesting \$6 million for grants to be awarded through a competitive process to federal depository libraries nationwide to build their capability to access federal information in electronic form.

NTIS operates as a business and has already reinvested a portion of its own revenue stream to develop the basis for the capabilities proposed here. It simply cannot generate revenue fast enough to bring about a government-wide transition to electronic communication at the rapid rate that our customers demand. Like any business, we need investment capital to make this happen in a timely fashion. I want to emphasize that this is indeed an investment in the future and that the requested funds are not a means of supplementing regular operations.

The biggest portion of the budget by far is the \$935 million the President is requesting for the National Institute of Standards and Technology, an increase of almost \$415 million. Dr. Prabhakar will give you the details of this request. Let me just point out that NIST has developed proven approaches for working with industry, has a comprehensive 10-year plan in place for the construction and renovation of its plant, has thoroughly planned for the revitalization of its in-house laboratory programs, and has developed and refined the important extramural programs that

account for about two-thirds of the increase. As a result, it has the management and evaluation systems in place that will enable it to scale up its programs or otherwise expend these funds with minimal bureaucratic overhead and without jeopardizing the high quality of its activities.

In conclusion, Mr. Chairman, this budget request demonstrates President Clinton's and Secretary Brown's confidence in the Technology Administration to improve Government's ability to assist industry in technology development and commercialization and in obtaining access to vital scientific and technical information from federal and foreign sources.

We are committed to making these programs the standard by which successful Federal technology activities are measured. Our goal is to provide the innovation, creativity, performance and leadership necessary for the creation of a civilian technology infrastructure that will allow us to win the global economic competition as successfully as we won the Cold War. This environment is critical to our development of new industries, maintenance of market share, and expanded exports that translate into jobs and an improved standard of living.

Thank you for this opportunity to discuss our budget and our goals for 1995. After Dr. Prabhakar's testimony I will be happy to answer any of your questions.

NIST BUDGET OVERVIEW

Dr. PRABHAKAR. Thank you, Mr. Chairman.

I think you are aware that the President's budget request for NIST this year is \$935 million, an increase of \$415 million and we recognize that, in an extremely difficult budget environment, this is a significant increase for NIST.

It reflects the high priority that the President and the Secretary of Commerce have placed on the programs that we are doing. I think it also reflects the strong commitment we have found among industry leaders for this part of our overall economic strategy, and it builds, on issues that really were started by the Congress and the support that your subcommittee, in particular, showed last year when we started to ramp up these programs. We wouldn't be at this point if we hadn't gotten that kind of support in the past. We greatly appreciate that.

Given the challenge of trying to meet the scale-up in the period of time that we have here, I would like to just touch on two of the critical issues today. One is where we fit into the context of overall Federal R&D. Our increase is substantial in a percentage sense, but we are still a very tiny fraction of overall Federal R&D, so I would like to make that clear.

Then, I would like to tell you what we are doing at NIST and why we think we are prepared, what our management strategies are and why we think we can in fact, make these programs effective in this period of time.

RESEARCH AND DEVELOPMENT

This budget request of \$935 million is 1.3 percent of the total Federal R&D budget, which is close to \$70 billion. It is important to remember that in this country, close to half the dollars for research and development have traditionally come from the Federal government. So we have been a major player for a long time. That in itself is not new.

Of course, what shaped our priorities for Federal R&D for many, many years since the end of the Second World War was first our focus on the Cold War and the national security prerogative, and then secondly, the need to fund basic science.

Today we are beginning to address a new priority that has emerged—the need to focus on economic competitiveness. That is what NIST is all about.

But before we start talking about this new challenge, I find it quite instructive to see what came out of 40 or 50 years of sustained investment for national security and for basic science. In fact, I am very heartened when I look back over that period of time, because I think technology in fact contributed to the end of the Cold War; I think the reason we have the best science base in the world is because of that sustained and thoughtful Federal funding.

So while our new job is quite different, I think we have some proof that the Federal government can make investments through R&D that have true impact for our society.

So what is this new job all about? Well, first of all, NIST is really only one piece of an overall strategy in the shift that is going on.

Many of our colleagues in other parts of the government, in the national laboratories, and in other agencies in the research part of the funding are also thinking now about the economic objectives.

CIVILIAN TECHNOLOGY

The unique aspect of NIST investment is that we are the direct investment in civilian technology, working in partnership with industry, focusing on economic competitiveness. And again, while the ramp up in our programs is very aggressive, the President's plan to get to about 2 percent funding for NIST, 2 percent of that total Federal R&D funding by 1997, is an appropriate level for this kind of direct investment in civilian technology.

Let me try to talk for a moment about how we at NIST are developing our management strategy to deliver value and minimize bureaucracy and overhead.

I think the first key point is that what we are doing at NIST is really building on proven approaches. It is not starting from scratch. With this Administration coming in, there is really a long history there that we are building on.

We recently compiled a collection of stories, a group of one-page descriptions of NIST industrial impacts to describe how we have worked with various companies, the specific ways in which we have interacted, how we have been able to deliver value to these companies, and Mr. Chairman, I would like to offer this for the record, if I might.

Mr. SMITH. Sure.

[The information follows:]

NIST Industrial Impact

Company:

SDL Inc.
San Jose, California

Business:

Producer of high-power
semiconductor lasers and
fiber optic components

Number of Employees:

180

Company:

Xerox Corporation
Palo Alto Research Center
Palo Alto, California

Business:

Manufacturer of document
processing technologies

Number of Employees:

300

The National Institute of Standards and Technology is an agency of the U.S. Department of Commerce's Technology Administration. NIST promotes U.S. economic growth by working with industry to develop and apply technology, measurements, and standards.

February 1994

There are few substitutes for an annual infusion of, say, \$1,400,000 for 5 years to ratchet up the research and development throttle. That is what happened to SDL Inc. and the Xerox Corp. beginning in September 1992, when their joint proposal to the Advanced Technology Program (ATP) for work on visible diode lasers and optical fiber components met with approval from a review panel at NIST, which runs the program for the Department of Commerce.

In less than 2 years since the ATP award, which is designed to support development of high-risk technologies that might enhance and spawn many other technologies, SDL has had three unexpectedly near-term spin-offs—new semiconductor-based laser products with wide-ranging applications that are now on the market, says Donald R. Scifres, SDL's president and CEO. The three products are laser diodes that emit red light directly at various powers without requiring a second laser for excitation, which is usually needed for high-power lasers. The company also is pushing forward to develop laser systems that can emit green and blue light, a much tougher technical challenge that is expected to open many more technological doors.

In the nearer term, applications for the red-laser products could range from surgery and an emerging light-based tumor treatment called photodynamic therapy to new laser-based cutting tools for manufacturers to high-speed color printing. It is that last possibility that provided the original impetus for SDL to join with Xerox Corp. and give the ATP a shot, and why green and blue

lasers remain at the top of the to-do list. "We want to eventually use these types of lasers in high-speed color printing operations," says Neville Connell, director of the electronic materials lab at Xerox's Palo Alto Research Center.

The semiconductor laser market is as competitive as it gets. "If you don't accelerate your development, you fall behind your competition," Scifres says. The competition is getting stiffer now as high-technology firms around the world race for some of the newest trophies in the arena of optical components—those green and blue lasers. Together with the more mature technology of red lasers, these open up paths to higher capacity communications systems, new color

**In less than
2 years since the
ATP award, SDL
has had three
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near-term
spin-offs.**

displays, medical tools, and many other products.

The ATP awards are supposed to smooth the path from laboratory to marketplace and to post higher speed limits along the way. The program is designed so companies can leverage their own investment and commitment to higher risk, higher payoff technologies with partial support from the government. In the case of SDL and Xerox, the ATP ideal seems to be working. Says Connell: "We now can get where we want to go

twice as quickly." Secondly, he adds, the ATP competition "provided impetus to form an alliance with SDL and Stanford University," which is also contributing to the research effort. Scifres also credits the ATP award with strengthening his company's competitive position. "We were in catch-up mode and I think we have caught up and surpassed Europe and Japan," he says.

Scifres admits that his company probably would have developed one of the recently commercialized lasers without the ATP award.

**As for the other
two products,
"they might never
have happened
without the
ATP award."**

Progress, however, would likely have been sluggish at best. As the funding started coming through, SDL hired four new people to their staff of 180, and as orders for the spin-off products came in, they hired even more for their production lines. As for the other two products, he says "they might never have happened without the ATP award."

Moreover, the three products are pure bonus for SDL since high-power lasers for printing are in the bull's-eye for the SDL/Xerox alliance. No complaints on this score, especially because the spin-offs keep spinning. In a letter last December to NIST Director Arati Prabhakar, Scifres noted that another company was considering one of these spin-off lasers for its own products. No final word on that yet, but if an order is placed, Scifres noted in the letter, "it would represent SDL's highest volume order."

NIST Industrial Impact

Company:

X-Ray Optical Systems Inc.
Albany, New York

Business:

Start-up company specializing in lenses that focus X-rays and neutrons into beams for use in research, medical imaging and treatment, and manufacturing.

Number of Employees:

8

The National Institute of Standards and Technology is an agency of the U.S. Department of Commerce's Technology Administration. NIST promotes U.S. economic growth by working with industry to develop and apply technology, measurements, and standards.

February 1994

If Lilliputians in the high-technology arena think big enough, they can get a shot at the big time. Just ask David Gibson, president of X-Ray Optical Systems Inc., and one of eight employees at the 3-year-old start-up in Albany, N.Y. The company is not out of the woods yet, Gibson says, but the path ahead looks downright inviting, in large part because of new types of collaborations with the federal research infrastructure.

The prime movers of the company are two physicists—David Gibson's father, Walter Gibson of the State University of New York at Albany, and Muradin Kumakhov of the I.V. Kurchatov Institute of Atomic Energy in Moscow. They had known each other for decades as professional peers and collaborators. Kumakhov and colleagues in Russia had been finding that arrays of tiny glass capillaries, when carefully bundled, seemed capable of focusing X-rays and neutrons.

Most scientists had long assumed that the ability to focus these types of radiation was a great idea that the Muse of Physics would make both irresistible and unreachable. That ability could mean everything from uniquely fine probes into the structure of matter to more powerful medical treatments to the means for making next-generation microprocessors. But lens materials mostly absorb, rather than transmit these types of radiation, and can hardly bend whatever radiation does get through.

Kumakhov made an end run around this seeming impasse. By making tiny glass capillaries with smooth interiors

that bend gradually, X-rays and neutrons entering them would repeatedly graze off the walls like a stone skipping on water. When bundled, such tubes could take a diverging weakening beam of X-rays or neutrons emanating from a radiation source and redirect them into parallel beams or onto small intense spots.

Gibson senior and Kumakhov were themselves convinced that the lenses had astounding scientific and technological potential. Kumakhov and Russian colleagues had done some experiments with prototype lenses that supported the concept. To go farther at more than a snail's pace, though, they had to convince other scientists in the United States that

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they were onto something, and they had to find financial support for development.

To build an organization, they recruited David Gibson, an MIT educated mechanical engineer and business manager. He knew that

nothing would happen unless external backing could be gotten and that the technology was too green to attract venture capital. So in the summer of 1990 when X-Ray Optical Systems (XOS) was being incorporated, he came across an article that mentioned the then fledgling Advanced Technology Program, administered by NIST. He read carefully. "My gut told me that this was a program designed for us," he recalls. "The Kumakhov lens was a high-risk nascent technology whose commercial payoff seemed very promising but that needed further development, just the kind of thing the ATP was created to support."

In 1991, they received word that their subsequent application for an ATP award had failed. Gibson surmises that the verdict followed naturally since the company did not yet have an infrastructure and its business strategy was incomplete. But the ATP experience had primed him to other possibilities in the government. The same year, XOS applied for and won two of the Department of Energy's Small Business Innovative Research grants. The momentum has only been building since.

A crucial part of that motion began also in early 1991 when the three-man company went on a 15-stop, cross-country dog-and-pony show to government labs equipped with accelerators, industrial users of X-rays, and academicians. Though they fielded some flak for their marketing bravado, they also turned some heads, including ones at NIST.

The series of government grants and collaborations have provided XOS with access to equipment and experts tailor made to assess, develop, and validate the new technology.

One payoff came through in December 1991, when XOS signed a Cooperative Research and Development Agreement (CRADA) with NIST. The goal of the CRADA is to develop neutron lenses that could help NIST in its mission of providing ever more accurate measurement capabilities for industry while helping XOS in its commercialization mission. A few months later, the company learned that its second try for an ATP had met with success and would receive \$1,900,000 from the government in its part of a cost-sharing R&D agreement, in which XOS would have to come up with \$350,000 for indirect costs. In June, just as the ATP money started coming in, the company began working with NIST researchers on another project to develop lenses that could form parallel beams of X-rays. In September of 1993, XOS began work on another collaboration with NIST in which it would provide lenses to NIST researchers for real world microanalysis of samples. In exchange, XOS would learn about what was necessary for the optics to be successful in that use.

In December 1993, as a result of progress made during the CRADA, XOS shipped its first commercial lens to a very familiar customer, scientists at NIST's research reactor. It has exceeded expectations in preliminary tests, notes NIST research chemist Gregory Downing, who expects the lens to dramatically enhance NIST's analysis abilities and services as well as its collaborative efforts with other U.S. companies including Intel, CIDTEC, Westinghouse, Texas Instruments, and a consortium of companies developing synthetic diamond products.

The series of government grants and collaborations have provided XOS with access to equipment and experts tailor made to assess, develop, and validate the new technology, David Gibson says. "It has allowed us to develop applications that we would otherwise not have addressed," he adds. The ATP award and NIST technical capabilities also enabled XOS to act like a bigger company with more resources and personnel without actually having to invest in these before the technical risks were overcome. That hurdle trips up many start ups. The ATP award had an important spinoff too. When news got out that XOS had been a winner in their second ATP competition, the company was finally able to convince private investors that the risk was reasonable. The foundations for success seem to be in place, Gibson says. XOS may not be in Lilliput for long.

NIST Industrial Impact

Company:

Thomson Berry Farms
Duluth, Minnesota

Business:

Manufacturer of jams, syrups,
dressings, and vinegars

Number of Employees:

20

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February 1994

In less than 2 years, the business outlook for Thomson Berry Farms, a Duluth, Minn., manufacturer of jams, syrups, dressings, and vinegars, has changed from glum to glowing. A 50-percent increase in productivity and an anticipated 100-percent increase in sales can lead to that kind of transformation.

And, in turn, a boom in business can save jobs. To keep up with increasing demand, Thomson's management has retained all 20 positions in the company.

Some of the credit for the change in fortune goes to the NIST Upper Midwest Manufacturing Technology Center (MTC), which linked Thomson Berry Farms with the manufacturing expertise it needed and then served as technical adviser as the company revamped its processing operations.

Thomson's new management, which took over the company in 1992, recognized market opportunities for the company's specialty products, but it lacked experience in automated manufacturing. "My background is wholesale and retail food distribution," explains Paul Leonidas, Thomson's chairman and chief executive officer. "The only thing I knew about jam was that you put it on your toast in the morning."

By hooking up with a regional office of the Upper Midwest MTC, Thomson's management remedied this shortcoming. Using the services of an engineering consultant secured with the assistance of the MTC, the small company began to automate

manual processes that drove up production costs and, in effect, were forcing Thomson to price its products out of the market. The engineering consultant designed a new plant layout, helped the company draft equipment specifications, and then located sources of that equipment.

"Our changes allowed us to cut our labor costs in half," without eliminating any jobs, explains Leonidas.

The answers to Thomson's manufacturing needs already existed—in the form of used equipment. For an investment of \$32,000, the company secured jar-cooling equipment, conveyers, and a filling machine, all of which were incorporated into the new plant layout. The company estimates that, within a year, waste reduction and other cost savings will pay for the entire investment.

"Our changes allowed us to cut our labor costs in half," without eliminating any jobs, explains Leonidas. "They also helped us go out and seek more business. We have almost quadrupled the production capabilities of the plant"—to more than 3.5 million units a year.

"Plant improvements, together with tighter controls, have turned our company—in 1 year—into a profitable enterprise," he says.

In the year since it was established in August 1992, the Upper Midwest MTC, which is based in Minneapolis, provided services to nearly 1,100 small and medium-sized manufacturers. Though the center's principal customers are firms in the computer, machinery, metal fabrication, and plastics and composites industries, the MTC serves a diverse clientele as the interaction with Thomson Berry Farms attests. And like Thomson, the vast majority (more than 80 percent) of Minnesota's 8,700 manufacturers employ fewer than 50 people.

"Small businesses like ours need the kind of help you [MTCs] provide," says Leonidas, "because we don't have the resources of the larger companies."

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NIST Industrial Impact

Company:

Prime Tube Inc.
Livonia, Michigan

Business:

Small automotive supplier

Number of Employees:

45

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February 1994

When the Chrysler Corp. recently pared its list of suppliers of tubular parts by more than 75 percent, one of the five survivors was Prime Tube Inc., a Livonia, Mich., manufacturer with a payroll of 45 people. To Prime Tube president Frank Firek, the selection served as solid evidence that several years of effort and more than \$100,000 invested in improving the company's operations and its products does, indeed, pay.

Many of the performance-enhancing changes undertaken by Prime Tube were originally spawned by a strategic assessment carried out with the help of a team of experts from the NIST Midwest Manufacturing Technology Center (MTC), based in nearby Ann Arbor. "Some of the programs resulting from that work with the MTC are a strong part of the reason we were chosen" as a tier-one supplier by Chrysler, Firek says.

Prime Tube is a repeat customer of the MTC, starting out as a participant in one of the center's continuous improvement user groups and later drawing on several technical services provided by the organization. In the user group—a self-help tool for small manufacturers—managers from Prime Tube and five other automotive suppliers met six times a year with a facilitator to address specific operational issues, share ideas and experiences, and track each others' progress on specific continuous improvement projects. One benefit of the interactions, according to Firek, was that it enforced a discipline on each company's efforts to improve.

Tapping the MTC's expertise, Prime Tube decided to undergo a comprehensive evaluation of its entire business and its current market. That assessment provided Firek and his managers with a thorough accounting of the company's strengths and weaknesses—in manufacturing, marketing, and other areas of the business—and it helped to better

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define the market for Prime Tube products. One aim of the evaluation, explains Ray Vander Bok of the Midwest MTC, is to help companies identify what steps they must take to "align themselves with their customers"; another is to give them a clear picture of how they stack up against their competition.

But the "real trick," Vander Bok explains, "is not the number of recommended actions for improvement, but identifying which ones to do first—the activities that will make the biggest difference. Small manufacturers are limited in resources and people. They have to

focus on the areas where they will get the 'biggest bang for the buck.' "

Firek says his company intends to implement all of the recommended improvement actions, beginning with the ones that promise the biggest return on investment. Actions already taken—some with the assistance of Midwest MTC staff—include implementing a preventive maintenance program and an automated inspection system, reconfiguring the plant into work cells, and determining literacy requirements for all manufacturing jobs.

These measures are paying off. For example, scrap and rework has decreased by at least 50 percent, and the company has reduced its

"If we had not implemented the changes recommended by the MTC," Firek says, "we would have been forced to shut our doors."

inventory by about 30 percent. These and other improvements are making Prime Tube more competitive, permitting it to pass cost savings on to customers.

Among automotive suppliers, Firek says, reducing costs without sacrificing quality has become an imperative for survival. Intense competition is squeezing profit margins and forcing companies like Prime Tube to sharpen their focus on markets and customers.

Largely because of a major customer's across-the-board moves to cut input costs, Prime Tube's sales dropped in the past year, Firek says. That decline might have been fatal if Prime Tube had not already been well into its program of continuous improvement.

"If we had not implemented the changes recommended by the MTC," Firek says, "we would have been forced to shut our doors." Instead, he adds, Prime Tube is becoming a better, more efficient company with a tighter business focus and a brightening financial picture.

NIST Industrial Impact

Company:

Spartanburg Steel Products Inc.
Spartanburg, South Carolina

Business:

Manufacturer of products ranging from fishing rods to car parts and filters for geothermal power plants

Number of Employees:

600

Company

Coastal Technologies Inc.
Varnville, South Carolina

Business:

Manufacturer of mist eliminators

Number of Employees

15

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February 1994

Through the Southeast Manufacturing Technology Center (MTC), manufacturers of products ranging from fishing rods and baseboard heaters to parts for cars and pressure vessels for geothermal power plants are taking advantage of computer-aided techniques that can speed product design and development.

One satisfied customer is the engineering department at Spartanburg Steel Products Inc., a South Carolina supplier of stamped automobile parts that employs about 600 people. With a technical assist from the Southeast MTC's Computer-Aided Design Laboratory, Spartanburg Steel successfully responded to a challenge by one of its major customers and thereby strengthened their relationship.

Specifically, Spartanburg Steel faced the task of developing a lighter, lower-cost alternative to the metal brace used to secure the dashboard to the frame of an automobile made by the customer. The company developed a new design, but, then, its engineers hit a snag: Because of the part's complex geometry, conventional, manual methods of stress analysis were not a practical, cost-effective option for determining whether the design would satisfy the load conditions and other structural-integrity requirements specified by the customer.

A possible solution emerged when Spartanburg Steel engineers attended a "CEO breakfast" on predictive engineering technology, which was arranged by the Greenville Technical College, an affiliate of the

Columbia-based Southeast MTC. Recognizing that the technology might serve its needs, the company requested an in-depth seminar on a particular technique, known as finite-element analysis.

Presented with the challenge facing the company's engineers, senior specialists from the Southeast MTC proposed a computer-based approach that could be used to conduct the essential stress and weight analyses. Using the center's coordinate measuring machine, the specialists measured 10,000 different points on the surface of the part supplied by Spartanburg Steel. The digital data were used to create a graphic model, permitting reliable simulations of stress tests with the

With a technical assist from the Southeast MTC's Computer-Aided Design Laboratory, the company successfully responded to a challenge by one of its major customers.

finite-element-analysis technique. The analysis of the new design revealed the distribution of stresses over the surface of the part.

The findings confirmed that a part based on the new design, which would reduce the weight of the brace by nearly a pound, would satisfy the customer's structural requirements. Now in full production, the part is

being used daily in a popular, high-volume vehicle.

Curtis Rhodes, one of the Southeast MTC specialists who worked with Spartanburg Steel, says that finite-element analysis is a valuable tool for evaluating designs. But, he adds, most small and medium-sized companies cannot justify investing in the technology and in training a staff member to apply it.

"Companies will have only an occasional need for finite-element analysis," Rhodes explains. "When you need the technology, it's more efficient to go outside the company and acquire this capability as a service."

Most small and medium-sized companies cannot justify investing in the technology and in training a staff member to apply it.

Rhodes and his colleagues have a steady stream of customers who are doing just that. For example, Coastal Technologies, of Varnville, S.C., recently used the Southeast MTC's service during the design phase of an ongoing project to build a 40-foot-tall pressure vessel, or cyclone separator, that will be packaged with one of Coastal's mist eliminators, the company's main product. When completed, the equipment will be supplied to a Japanese construction company building a geothermal power plant in Asia. It will be used to remove potentially destructive particles from underground steam that will drive the plant's turbines.

Harry Wechsler, president of the 15-employee firm, explains that, because of an unusual feature specified by the customer and unaddressed by engineering codes, Coastal was required to do a thorough mechanical analysis of the design. "We didn't have the resources—hardware, software, or expertise—but we knew the MTC did," he says, noting that Coastal has used the center's services on several occasions. "Our relationship with the MTC has been very beneficial. We make use of them whenever we think they can help us."

NIST Industrial Impact

Company:

The Automotive Composites Consortium:

Ford Motor Co., Dearborn, Michigan
General Motors Corp.,
Detroit, Michigan
Chrysler Corp.,
Highland Park, Michigan

Business:

Automotive manufacturers

Number of Employees:

Approximately 1,240,000

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March 1994

Pressure to substitute traditional materials with others that are cheaper, stronger, lighter, or better by some measure than the originals is a fundamental driver of technological change and adaptation. The risks and rewards are largest for industries like the car industry, which rely on vast amounts of materials.

The availability of inexpensive steel early in this century made mass production of cars more technologically and economically sensible. "It replaced wood in auto bodies and enabled [the car industry] to make larger, more reliable, higher performance products," says Carl Johnson, a product engineer at Ford's Scientific Research Laboratory in Dearborn, Mich. In 1991, the automotive industry used 10 million tons of steel.

The material virtues of strength, durability, and manufacturability that have made steel so critical to car makers may no longer be enough to offset a drawback—its heaviness—that has become a critical liability in today's ever more environmentally minded context. Every extra pound in a car translates into higher fuel consumption and pollution output. The search is on for lightweight, environmentally sound substitutes that can be integrated into the manufacturing process and provide the necessary strength, crash worthiness, and durability.

Composites, which are combinations of two different materials that each contribute desirable traits normally not found combined in any one material, are a leading candidate for substitution. That is why the big three

automakers—Ford, General Motors, and Chrysler—joined forces in 1988 to form the Automotive Composites Consortium (ACC) and sought the assistance of the National Institute of Standards and Technology with their efforts.

Composites have a long history. One of the earliest examples still in use—straw mixed into a mud base—yields a building material that is stronger and more crack resistant

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than mud alone. The higher tech automotive composites now being developed through the ACC are made from polymers such as urethanes (the mud) and glass fibers (the straw), which are either pressed into random mats like the filters of home heating furnaces or woven or braided into fabric-like mats. Experimental composite parts weigh up to 40 percent less than their steel

counterparts and could shave hundreds of pounds from each car.

The challenge for the ACC (in 1992 the ACC became part of US CAR, which is a broader based private-sector/government program with the goal of producing high-quality, high-efficiency cars, is to develop a practical, affordable composite technology that can meet some of the most demanding manufacturing specifications on the planet. For example, "the front rail of the car holds the engine up, takes all road loads, and must handle the crash energy" to meet specifications, points out Elio Eusebi, head of the polymers department at General Motors Research and Development Center in Warren, Mich.

The composite-forming method most likely to end up on production lines probably will go something like this: A fiber mat is placed into a two-part, heatable mold, which is then shut, imposing the shape of the car component onto the dry mat. Liquid resin, polymerization agents, and other ingredients then are injected or drawn into the closed mold where they permeate the mat like water through a dry sponge. The high temperature in the mold initiates a chemical curing process resulting in a fiber-reinforced polymeric part in the desired shape. All this has to take place reliably and nearly flawlessly in a matter of seconds. "I don't want to build a mold and discover that I can't get resin into the corner," Eusebi says.

He, Johnson, and others working in the consortium say that the way to preempt the time and expense of that kind of unwelcome surprise is to

"NIST has saved us the entire expense and time required to make accurate models, which is several man-years of work."

create computer models that engineers can use to predict how variations in a part's shape and size will affect the composite-making process. The models ought to give engineers the power to quickly modify the process for each part, rather than having to go through a trial-and-error process each and every time to determine processing details such as how fast the liquid resin ought to be injected or what kind of fiber mat to use.

That's where researchers at NIST are making unique contributions to the composite R&D project, say industry consortium participants. Frederick Phelan, who was hired at NIST soon after the ACC began, has been developing computer models that predict critical process conditions such as how quickly liquid resin will flow into fiber mats in various shapes and the pressure generated during injection. To ensure that the models are realistic, Phelan's colleague, Richard Parnas, has developed protocols and materials, such as standardized fiber mats, that he and ACC members can use to measure the permeability into fiber mats under different conditions. "Without experimental permeability data, everything is hypothetical," Johnson says.

Though industry insiders are optimistic about composites, no one yet can say just how extensively the materials might substitute for steel. At the moment, the composites remain too expensive to design and manufacture. Also, their properties are still not understood with enough confidence, and recycling issues need to be resolved. NIST is helping with these problems, say industry researchers, by leveraging company research to demystify the material. "It is extending what we can do," says Douglas Denton at Chrysler's Materials Engineering facility in Auburn Hill, Mich. Adds GM's Eusebi: "NIST has saved us the entire expense and time required to make accurate models, which is several man-years of work." With input from all of this effort, it is likely that historical industrial decisions about millions of tons of steel and resin and about automotive design will be made.

Postscript: Aerospace companies, including Grumman and Boeing, which also see a future for strong, lightweight composites as substitute materials for heavier metallic alloys, have initiated collaborations with the same composites experts at NIST. The same kind of process understanding and predictive abilities that the ACC needs to make composites work in the automotive context is an absolute requirement in the aeronautics context, notes Lyle Schwartz, director of NIST's Materials Science and Engineering Laboratory.

NIST Industrial Impact

Company:

CEM Corporation
Matthews, North Carolina

Business:

Manufacturer of microwave-based
analytical instrumentation

Number of Employees:

130

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By the late 1970s, the CEM Corp. had begun earning a name for itself in the new arena of microwave-assisted chemical analysis. At the time, the standard way to analyze rugged, hard-to-dissolve metallic, soil, and other inorganic samples was to dump the samples into a strong mineral acid and heat it up on a hot plate. Then researchers would wait, and wait, and maybe wait some more, until the hot acid digested the sample enough for analysis by spectroscopy and other standard methods. Many jobs also required some kind of specific fiddling—maybe a stint on a shaker table or a more rigorous heating regimen. As a result, analysts had to know and use a variety of protocols that could take anywhere from hours to several days.

Word about CEM's apparently simpler microwave alternative spread quickly to companies in the oil, chemical, mining, and environmental monitoring industries where analysis of metal-containing soil and sludge, ceramic powders, and minerals was a daily need. With the microwave technique, the sample and acid go into a closed Teflon container, which is then heated in the microwave for a few minutes, 30 at the most. The sample comes out ready for analysis. "When people became aware of our microwave work, they came to us asking about it," recalls CEM CEO Michael Collins.

That was just fine, but Collins knew CEM (which stands for Chemistry, Electronics, and Mechanics—the disciplines that CEM's three founders brought into the company) could not yet offer customers a ready-to-go system. The specific microwave power,

time, and other factors required for each type of sample could only be determined by a time-consuming, trial-and-error process. There was no recourse for a new user but to go through that process. Moreover, since no one knew exactly how microwave energy was digesting the samples, no one could say just how the method worked.

"When people became aware of our microwave work, they came to us asking about it," recalls CEM CEO Michael Collins.

Despite drawbacks of the traditional open-beaker, hot-plate methods, analysts understood them, knew they worked, and knew how to do them. It would be hard for CEM to break through into bigger markets unless the company could tell its customers both how the microwave methods worked and precisely which protocol worked for a given type of sample. "We didn't just want to ship our customers a box and then leave them on their own to make it work," Collins says.

With that goal on their minds, Collins received a fateful call in 1983 from NIST chemist Skip Kingston, now at Duquesne University. Kingston was doing some research on microwave-assisted chemistry and became convinced that the techniques had good potential to simplify many chemical procedures. He wanted to

learn more about the physical mechanisms underlying the process and to develop the kind of theoretical understanding that could add microwave chemistry to the generally accepted corpus of chemical knowledge and techniques.

Kingston knew that CEM had been selling microwave instrumentation for a few years so he gave them a call. Collins was interested. Within a month, he had spent a day in Kingston's Gaithersburg, Md., laboratory to discuss the possibilities in more depth. A collaboration seemed right for both parties. "Within a few months, we had set up and funded Lois Jassie as a research associate at NIST," Collins recalls. As part of this, Jassie enrolled in the Ph.D. program at the nearby American University, and this microwave work became the basis for her research and thesis. So, as CEM was finalizing the design of what would become production models of a microwave digester, the collaboration was developing application protocols

CEM found the NIST connection so valuable that the company kept Jassie on at NIST as a research associate until 1993, nearly a full decade.

for specific sample types as well as fundamental studies into the physics and chemistry of the process. In short order, these studies suggested to CEM that a sealable Teflon container would allow microwave energy to penetrate to the contained sample while enabling pressure to build up inside without exploding.

By the end of 1984, CEM was selling a closed-vessel microwave system. Sales went up considerably following a seminal paper by Kingston and Jassie in the Oct. 12, 1986, issue of *Analytical Chemistry*. "That paper educated the technical community in microwave-assisted chemistry,"

Collins says. By 1990, the microwave digestion system had grown into CEM's major product, with sales to both domestic and foreign customers. The company now is the industry leader. "This year we expect to have \$30 million in sales and 40 percent will come from our microwave digestion products," Collins says.

CEM found the NIST connection so valuable that the company kept Jassie on at NIST as a research associate until 1993, nearly a full decade. That human connection enabled CEM to benefit from NIST's strength in protocol development, and NIST researchers were able to keep abreast of what users and makers of microwave-based instruments were doing and what they needed.

The future still holds plenty of promise for the microwave-assisted chemistry that CEM and NIST helped shepherd into respectability and into instrumentation that analysts can buy. Says Collins: "We see this as an emerging field, which is still in its infancy."

NIST Industrial Impact

Company:

Corning Inc.
Corning, New York

Business:

Makers of consumer housewares and specialty materials including optical fibers

Number of Employees:

34,000

Company:

AT&T Bell Laboratories
New York, New York

Business:

Providers of communications services and products, computer systems, and network equipment including optical fibers

Number of Employees:

314,000

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As you read this, the world is becoming ever more wired with optical fibers. Growing networks of millions of kilometers of glass fibers cross continents and oceans linking millions of people and computers worldwide with pulses of information-laden light. Without optical fibers, any talk of a National Information Infrastructure would be little more than a pipe dream.

With all of this growth, the need for optical fiber makers and users to standardize products, manufacturing processes, and installation procedures becomes critical. Lacking that, technical incompatibilities that would stunt growth of these networks, hinder their maintenance and repair, and thereby erode the international competitiveness of the U.S. telecommunications industry could emerge. This challenge is a classic call to arms for researchers at the National Institute of Standards and Technology (NIST).

Since 1981, NIST has been working closely with the Telecommunications Industry Association to advance both standards and technology for the optical fiber industry. A 1992 report prepared for NIST by an independent economist estimated that NIST's aid in the development of standards and measurement protocols had by then been responsible for annual savings of \$9.5 million in the optical fiber industry, which was more than four times the cumulative cost of the collaborative work throughout the entire 1980s.

A recent NIST contribution that has been getting particularly high praise from the industry goes by the

unassuming name of SRM 2520. SRM stands for Standard Reference Material, and SRM 2520 is one of about a thousand different SRMs that NIST prepares for hundreds of industries that need reliable benchmarks by which they can calibrate their own tools, instruments, chemical analyses, and other measurement protocols.

At the heart of each SRM 2520, which companies can purchase from NIST for about \$1,000, is an optical fiber whose diameter has been more accurately measured and certified than any other fiber in the world. To certify each standard, NIST metrology expert Ted Doiron designed and built an exquisitely sensitive and accurate micrometer that could measure fiber

NIST's development of standards and measurement protocols had by then been responsible for annual savings of \$9.5 million in the optical fiber industry.

diameters with an uncertainty of about 50 nanometers or the width of about 100 molecular layers of the glass. In the hands of the engineers at an optical fiber plant, an SRM 2520 serves as the most reliably calibrated ruler by which they can monitor the uniformity of their own commercial fibers, explains Matt Young, who developed SRM 2520 with

Steve Mechels, Paul Hale, and other NIST researchers.

SRM 2520 has become a necessary tool in the production of optical fibers even though the standard only became available in 1993, according to Jan H. Suwinski, an executive vice president of Corning Inc. At the center of the standard fiber is a glass core about 10 micrometers in diameter surrounded by a thicker glass cladding whose outer diameter is about 125 micrometers, or about two hair-widths. (The cladding is coated with a tough polymer to protect the glass from environmental degradation and breakage.)

The particular value of SRM 2520 is emerging as optical fibers reach from major optical cables to individual buildings, homes, and offices. This phase of network growth entails massive amounts of splicing and matching of fibers, which can be more expensive than stringing fibers longer distances, a procedure requiring fewer splices. Industry experts say that variation in fiber diameters would be calamitous because, if the diameters differ, the inner cores probably would fail to

"The opportunity to work with NIST on this project gave Corning and other American fiber manufacturers a clear competitive advantage."

align precisely when joined, resulting in degraded light signals. And that spells "disaster" for an industry whose raison d'être is transmitting signals reliably and clearly. By using SRM 2520 to calibrate the fiber-making process, the optical fiber industry can increase the likelihood that its fibers will align. According to Department of Commerce statistics, the U.S. optical fiber market amounted to \$2.1 billion in 1992, which was 40 percent of the world total. That translates into a lot of splicing.

"Another industry-wide study found that the main problem in controlling the cladding diameter was having a reference," notes William Gardner, who specializes in fiber measurement standards at AT&T's optical fiber plant in Norcross, Ga. With SRM 2520, he says, uncertainty in the measurements of fiber diameters now vary within about one-tenth of a micrometer (about the width of a cell nucleus), which is about one-tenth of the uncertainty that was typical before SRM 2520 became available. Both AT&T and Corning now use SRM 2520 routinely for quality control.

In a letter to Judson French, director of NIST's Electronics and Electrical Engineering Laboratory, Corning's Suwinski wrote that "the opportunity to work with NIST on this project gave Corning and other American fiber manufacturers a clear competitive advantage."

For NIST, that kind of industry feedback translates into a mission accomplished. But not completed, notes Young. NIST and the optical fiber industry now are planning to work on other standards, including one for measuring the tiny diameters of ceramic ferrules that are used to connect fibers into continuous pathways of light.

NIST Industrial Impact

Company:

Crucible Compaction Metals
Oakdale, Pennsylvania

Business:

Producer of high-performance materials and parts for aerospace and other applications

Number of Employees:

65

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February 1994

The inside of a working jet engine is a hellish place. Hour after hour, day after day, hot, corrosive combustion gases flow over its internal parts at hundreds of miles per hour. Many of these parts also rotate hundreds or thousands of times per minute, creating internal strains that would shred most materials in short order. Yet those parts have to withstand the punishment. There are no shoulders for repairs in the jet stream.

William Eisen thinks about these facts with more gravity than most people. He is president of Crucible Compaction Metals (CCM), an Oakdale, Pa., company, one of the few manufacturers of metal disks that rotate at high speed at elevated temperature to move gas through the jet engines on military and civilian aircraft. Given their hostile venues, these disks and other parts that Crucible makes have to be made of the toughest, strongest, most reliable, and most temperature-tolerant material that his company can make at a price that jet engine makers are willing to pay. Moreover, with global competition in both the aerospace and advanced metals business on a rapid ascent, Eisen can never afford to coast on the quality and efficiency of today's manufacturing processes.

Crucible's process starts with molten metal of the proper chemistry that will produce an alloy with the desired materials properties. But, instead of casting these parts by pouring molten metal into molds, or first forming billets that are shaped and processed later, CCM converts the liquid metal into fine powder using the so-called inert gas atomization process. This powder is then loaded into metal

containers (molds) and consolidated into solid parts by hot isostatic pressing. Very little machining and finishing work is required afterward.

"You can make materials this way that you can't forge or roll or make in any other way," notes long-time NIST metallurgist John Manning, director of NIST's in-house powder metallurgy research group, which operates a

The disks and other parts that Crucible makes have to be made of the toughest, strongest, most reliable, and most temperature-tolerant material.

powder making facility rigged with sophisticated sensors and valves that can monitor and control exactly what occurs as metal powders are made. It was a setup that no company had in place or could afford.

For Crucible, the complex process yields engine parts that fit the bill, Eisen says, but its efficiency was disappointing. NIST was soon to become part of the solution. The problem had to do with the particles in the metal powder. To create parts with the range of properties needed for jet engines, the particles have to start out very small—with a maximum size about 0.076 millimeter (0.003 inch) in diameter—and extremely uniform. The small sizes of the particles help produce uniform properties in the

finished parts and also reduce the sizes of voids or other imperfections, which are the seeds of material failure. If the company could reduce the amount of oversize powder produced, the process would become more efficient, operating expenses would decrease, and the company would become more competitive.

With that chain of events never far from Eisen's mind, he was especially receptive in 1982 when he heard about, and subsequently attended, a powder metallurgy conference in Gaithersburg, Md., at the National Institute of Standards and Technology (then called the National Bureau of Standards). "I had no idea of the extent of work going on there," Eisen recalls, adding that he hadn't previously thought of NIST as a place for getting answers to industrial process problems.

After the meeting, he remained in touch intermittently with the metallurgy group. In 1986, Crucible was invited to join a research consortium with NIST and other powder metallurgy companies. The consortium's goal would be to develop more detailed knowledge about how metal powders form and to use this knowledge for making the process

The computer model guided the company in the redesign of its gas delivery system, thereby increasing "the percentage of usable powder produced during the atomization process by over 40 percent."

more of a science. In 1987, Crucible, General Electric Corp., and Hoeganaes Corp. joined NIST to form the consortium. It was renewed in 1991 with two of the old partners and four new players and will end after 6 years in 1994.

The half-decade involvement paid off for Crucible in higher efficiency and lower costs. One crucial part of this gain was a computer model developed by the NIST fluid flow group. It enabled Crucible engineers to simulate accurately what was happening as particles formed rather than having to guess what happened by examining finished particles. The model had a lot to consider. The powders are made in an atomization process by letting the molten metal fall through a nozzle at the end of which a high-velocity stream of inert gas blows the liquid metal stream into

a fine mist of tiny spherical droplets. These cool and solidify almost instantaneously and are collected downstream.

"We suspected that if we could understand the gas dynamics, we could control our process more successfully," Eisen says. They were right. The model, which the fluid flow group was able to develop using data obtained from NIST's supersonic inert gas metal atomizer, was designed to help CCM and other consortium members optimize their processes without having to tell each competitive details. "We now use this model the way other manufacturers rely on computer-aided design," Eisen says.

In a 1992 letter to Lyle Schwartz, director of NIST's Materials Science and Engineering Laboratory, Eisen noted that the computer model guided his company in the redesign of its gas delivery system, thereby increasing "the percentage of usable powder produced during the atomization process by over 40 percent." Efficiency gains of just a few percent usually are enough to get congratulatory memos flying around. At the same time, Eisen added, the new process consumes less argon gas, "helping to decrease Crucible's operating costs." That's just good business.

NIST Industrial Impact

Company:

Hewlett Packard Company
Greeley Hardcopy Division
Greeley, Colorado

Business:

Manufacturer of high-tech
measurement, research, and
business instruments

Number of employees:

750

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In January 1992, engineers at Hewlett Packard (HP) Co.'s Greeley Hardcopy Division detected some disturbing signs in one of their product lines. Five months earlier, they had stunned the electronic communications community with a new and uncommonly affordable color scanner, an instrument that could convert a color image, or regular text, into a digital format. Once digitized, images or texts can be fed into electronic publishing software, multimedia packages, or whatever else the electronic communications moguls might come up with.

"This kind of product had been available for \$30,000 to \$50,000, and we brought it down to the \$2,000 range," notes Virgil L. Laing, manager of reliability engineering in Greeley's Hardcopy Division. Moreover, HP was then, and still is, the only U.S. company to have successfully entered the scanner market, which had been totally dominated by companies in Japan and Singapore.

HP's role as the lone Western player in the field only amplified the unnerving news trickling in from a small proportion of scanner customers. After several months of trouble-free operation, one or two out of a hundred users found that the copyboard glass—the pane of glass on which scanned material is placed like a page to be photocopied—suddenly cracked, from one corner to the corner diagonally across.

The news—both alarming and puzzling—was a call to action to

Laing and a colleague who took on the unexpected challenge full time.

"At first we thought our packaging might have been inadequate and that the cracks were occurring in shipping," Laing recalls. The natural inclination to wishful thinking, in this case, that a simple packaging fix was the solution, helped favor this hypothesis. But it also was reasonable

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because it just wasn't easy to break the copyboard glass. "We dropped it and we shocked it, but we didn't see any breaks," Laing says. "We literally couldn't break the glass unless we treated it so badly that it shattered."

Developing and evaluating the next tier of hypotheses took the special knowledge of a mechanical engineer especially familiar with glass and that meant going outside the group that had designed the scanner. The company hired a consultant in nearby Boulder who had designed spacecraft windows, which have to be as rugged and fracture resistant as glass can get. The consultant didn't solve the problem, but he suggested they call Harry McHenry, chief of the NIST Materials Reliability Division. They did. McHenry listened to the problem and then connected Laing

with Robert Walsh, a specialist in materials fracture at the NIST lab.

On March 12, 1992, Laing, two other HP engineers, and a few scanners traveled to Walsh's laboratory where James Dally, a mechanical engineer on sabbatical from the University of Maryland, happened to be working as a guest researcher. In less than a day, the ad-hoc trouble-shooting caucus found the root of the problem.

Measurements with strain gauges indicated that the design of the top, which has to secure the glass in the machine, unexpectedly had introduced damaging levels of stress into the glass. Instead of a safe level of 200 pounds per square inch (psi), some parts of the glass were under 2000 psi. With that information in hand, "we did more research, got engineering manuals from Dow Corning, and checked with Dally some more," Laing recalls.

In little more than a month after the NIST visit, the designers at HP learned what gremlin had caused the cracking. The original design included a molded plastic part that

He estimates that their visit to the NIST lab and access to top experts in the field of fracture mechanics saved them 4 months of time and expense.

put pressure on the corners of the glass to secure it in place. It seemed a reasonable way to meet the company's stringent shock and vibration specifications to prevent damage during shipping or intermittent rough treatment by users.

A consequence of this design decision, though, was to set the stage for a subtle kind of failure mechanism in glass that begins with what engineers call "static fatigue." At the corners of the copyboard, the extra pressure designed into the machine elicited microscopic cracks that, over time, merged into a single crack that ultimately sliced across the copyboard. The result: glass that breaks slowly rather than shattering instantaneously.

The solution was simple, clear, and inexpensive. "We redesigned the cover plastic, and the problem went away," Laing says. He estimates that their visit to the NIST lab and access to top experts in the field of fracture mechanics saved them 4 months of time and expense. Luckily, the fracture problem only affected a small percentage of the machines. But the scanners were selling well enough that Laing estimates the 4-month head start on the solution saved the company at least \$500,000. The static fatigue flaw was an unexpected difficulty, but it is the type of problem likely to arise as companies develop more sophisticated and complicated instruments that demand more and more of the materials used to make them. The key to success, Laing says, rides both on preempting problems before they happen and, if that fails, on finding good solutions quickly.

NIST Industrial Impact

Company:

Lake Shore Cryotronics Inc.
Westerville, Ohio

Business:

Manufacturer of measurement and control instruments for research, medicine, and industry

Number of Employees:

90

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February 1994

In 1987, the term superconductivity became part of the household lexicon. Coming in by radio, newspaper, and television were visions of a new technological era ushered in by breakthrough materials called high-temperature superconductors. If these strange ceramic materials could be developed into forms such as wires and coils, they just might supersede and surpass the copper and silicon-based electrical and electronic technologies that have come to characterize these times.

Insiders knew even then that the new materials were far from a sure bet, and realistic projections had scientists and engineers taking a decade or two before any part of the technovision stood a chance. Still, no company that had the potential to be involved could afford not to pay attention. Lake Shore Cryotronics (LSC), a small firm in Westerville, Ohio, that makes and sells a variety of sensors and specialty electronic components, was one of them.

Right in the middle of those heady days in 1987, company employees Jeff Bergen and Warren Pierce were setting out on a multistop trip to find new and future markets relevant to LSC's strengths. That's also when LSC president John Swartz received a call from a colleague at the Massachusetts Institute of Technology suggesting that the trip itinerary include Fred Fickett's research group at the NIST Boulder facility. It turned out to be a key stop.

When the LSC team got into the laboratory, they saw an experimental instrument that the NIST group was using to measure electrical and

magnetic properties in the new superconducting materials, recalls Bergen. Nothing came of the visit immediately, though Bergen and his colleagues cataloged the instrument in their memories since they knew that superconductivity, and sensors for studying the phenomenon, were probably going to be growth fields.

A few months later during a phone conversation between LSC and NIST scientists, the commercial possibilities of the instrument that the LSC troupe had seen, called an AC susceptometer, came up. The NIST group was finding their instrument so useful in their experiments that they suspected others studying and developing the new superconducting ceramics would feel the same way. Moreover, a

The NIST group was finding their instrument so useful in their experiments that they suspected others studying and developing the new superconducting ceramics would feel the same way.

number of groups, mostly in Europe, were already putting their own homemade AC susceptometers to work. The instrument uses an alternating electrical current (AC) to impose a magnetic field on a sample while monitoring how the sample responds to, and interacts with, the field. The data from these

experiments reveal electrical and magnetic features of the sample, including its superconducting and non-superconducting properties.

After studying the possibilities, and drawing heavily on the experience of the NIST group, the LSC staff concluded that AC susceptometers "could be built and sold at more accessible prices than anyone could build themselves in the laboratory," Bergen says. LSC scientists and engineers conferred with the NIST group regularly and within 1 year—by mid-1988—LSC had built and sold the first commercially manufactured AC susceptometer. "We turned it into a turn-key instrument," Bergen says. The company followed

LSC scientists and engineers conferred with the NIST group regularly and within 1 year, LSC had built and sold the first commercially manufactured AC susceptometer.

that in 1991 by unveiling an AC susceptometer combined with a DC magnetometer, a related instrument that the U.S. research community is more familiar with.

These instruments since have been sold to many labs around the world and have contributed greatly to the rapid growth of Lake Shore's magnetic measurements product lines, Bergen notes.

As it turns out, the more sober projections for high-temperature superconductivity remain on target, Bergen says. A few small applications of the materials in products such as magnetic field sensors (superconducting quantum interference devices, or SQUIDS for short) for oil prospecting and medical imaging could emerge before 1997 comes around, but widespread and large-scale use remains uncertain. That uncertainty has changed the business context for LSC, notes Bergen. "The cryogenic market [for instruments that work at extremely frigid temperatures] is having a lesser rate of return," Bergen notes.

"We are now looking beyond traditional markets," Swartz adds. It is that kind of adaptive behavior that could well transform business uncertainty into opportunity.

NIST Industrial Impact

Company:

Optical E.T.C. Inc.,
Huntsville, Alabama

Business:

Developer of infrared-based technologies for military and commercial applications

Number of Employees:

Five

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Networking works, sometimes when you're not even trying. R. Barry Johnson, a former professor of electrical engineering who now calls himself an infrared technologist, can tell you so. The results so far from an unexpected collaboration with researchers at the National Institute of Standards and Technology, he says, are accelerated progress for his company's R&D and \$3 million of research funding from the Navy.

What Johnson and his main NIST collaborator, Michael Gaitan, are developing might be thought of as minuscule stoves having hundreds of burners and made out of tiny silicon chips, aluminum, and a few other ingredients. Their experimental models today consist of square arrays of "microheating elements," together with microcircuitry that controls the pattern and intensity of heating, all on a chip about the size of a telephone number button. Johnson, Gaitan, and other collaborators expect to make much larger arrays involving more than 16,000 individually controllable heating elements. The tiny devices are made by adapting mature microfabrication techniques developed originally by the microelectronics community.

The initial goal of all of this microstove, Johnson explains, is to develop an inexpensive, versatile, and reliable technology for "dynamic thermal scene simulation," which is the art of emulating the thermal energy emissions of objects or even complex scenes like tanks on patches of desert. The Department of Defense, which has supported both Johnson and Gaitan's work for years, is moving more and more toward

simulation and emulation technologies like this one as a hopefully cheaper and less risky means of testing equipment and training personnel.

Johnson and Gaitan both envision using their microfabrication skills for non-military uses as well—sensors built into wings, bridges, and even shipping crates that monitor, locate, and record damaging vibrations; chip-sized sensors that simultaneously sense the presence and amounts of many different pollutants in the air; or accelerometers for mechanisms that control and trigger air bags in cars.

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Gaitan and Johnson say these possibilities are accelerating along the R&D process faster than would have been possible had they not been networked several years ago by an Army contract officer working at Redstone Arsenal, Ala. The Army happened to be supporting both researchers for different projects. When Gaitan traveled to Alabama to discuss his project, the Army contract officer arranged for Gaitan to meet Johnson, intuiting that the two might cook up good ideas relevant to the Army's needs. Who could predict what could emerge by mixing people with

expertise in infrared optics, electrical engineering, and microfabrication?

Plenty, it seems. For the first 2 years after their initial meeting, Johnson and Gaitan maintained informal contact by phone, e-mail, occasional visits, and the like. It was during that time that they began developing and testing their ideas for mass-produced, microfabricated thermal arrays. In 1992, Johnson and NIST made their connection somewhat more formal by signing a Cooperative Research and Development Agreement (CRADA), which Johnson and Gaitan say has led to several tangible benefits. As a result of their joint work on thermal displays, NIST is in the process of applying for a patent, an involved and tedious process that Johnson says he

"This relationship is in principle what Congress intended" with its legislation to make the federal government's research assets more accessible to private companies, Johnson notes.

and his company, Optical E.T.C., would not have pursued on its own. Moreover, Johnson credits his association with Gaitan as a major factor in a Navy decision to fund a project in which the two are co-principal investigators in an effort

to take their thermal-imaging prototypes to the next stage of development. The funding will span 3 years beginning in FY 1995 and will amount to about \$3 million. Johnson notes that his company already has an agreement with a California company, Santa Barbara Infrared, to distribute commercial products that may come out of the collaboration.

"This relationship is in principle what Congress intended" with its legislation to make the federal government's research assets more accessible to private companies, Johnson notes. "With this type of assistance and motivation, I think we will have a much stronger country."

NIST Industrial Impact

Companies:

Amersham/MediPhysics, Illinois
Bristol-Myers Squibb, New Jersey
Du Pont Merck Pharmaceutical,
Massachusetts

Mallinckrodt Medical, Missouri
Nordion International,
Ontario, Canada

Packard Instruments, Illinois
Syncor International, California

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March 1994

Inventing ways to see inside bodies without cutting into them is one of the medical community's shining successes. Radioactive isotopes that can be injected safely into patients' bloodstreams and tissues get a lot of credit for that success. These so-called radiopharmaceuticals work like transient spies sending diagnostic signals from inside the body to external detectors and computers, which construct images of internal body structures from those signals. Like good spies too, the isotopes quickly disappear once their job is done, either by transforming into non-radioactive products or by passing out of the body.

If they know precisely how much radioactivity each dose harbors, doctors can confidently inject patients with radioactive drugs such as thallium-201 for heart scans. Determining the exact amount of radioactivity is an especially demanding measurement task, however, since radioactive isotopes are produced at private or government facilities, made into radiopharmaceutical preparations by a number of different companies, and then put to diagnostic use at thousands of hospitals. All the while, the radioactivity contents to be measured are changing. Unlike the weight of a pill, which remains constant from maker to patient, the activity of radiopharmaceuticals continually decreases over time.

Regardless of the challenges, each radiopharmaceutical handler must have a way of assuring that their own radioactivity measurements are accurate. Nuclear Regulatory Commission rules, for one, require

such measurements. Good business and good medicine also critically depend on the quality of these measurements.

Assurance of that quality stems from the National Institute of Standards and Technology, remarks Tibor Schubert, manager of radiodiagnostics at Bristol-Myers Squibb. For the past 20 years, NIST and the United States Council for Energy Awareness (USCEA), which represents the nuclear power and nuclear medicine industries, have collaborated to provide the industry with standards that everyone can use as benchmarks. "It helps make sure that everyone is on the same wavelength," says Schubert, who chairs a NIST/USCEA steering group

"It increases the confidence for everybody" who makes and uses radiopharmaceuticals.

that sets the agenda for the collaboration. "It increases the confidence for everybody" who makes and uses radiopharmaceuticals, adds Michael S. Mosley, a quality control and government affairs specialist at Syncor International Corp., the country's fastest growing "nuclear pharmacy."

That confidence level has contributed to the ascent of radiopharmaceuticals both as a standard part of medical practice and as big business, say Schubert, Mosley, and others in the industry. Each year, U.S. doctors perform over 7 million

diagnostic procedures using radiopharmaceuticals. About one out of every four patients entering hospitals undergoes some form of radioactive diagnostic or therapeutic procedure. Many cardiac patients undergo the thallium-201 stress test, which allows doctors to image the damaged heart for guidance in treating heart patients. The market for radiopharmaceutical preparations now approaches \$1 billion.

When the NIST/USCEA collaboration began in 1973, there were no standards for three out of four radiopharmaceuticals then available, nor were there uniformly adopted protocols by which instruments in different places were calibrated even when standards were available. These and other measurement problems slowed Food and Drug Administration approval of new drugs and led to disputes between vendors and buyers of radiopharmaceuticals since prices are determined not by weight but by the amount of radioactivity sold.

"Participation in the program and having radiopharmaceuticals [whose activities are] traceable to NIST standards gives member companies a competitive advantage."

Out of the collaboration so far have come 25 new Standard Reference Materials (SRMs), which are distributed as small sealed ampoules containing specific radiopharmaceuticals with NIST-certified amounts of radioactivity. Vendors and buyers use these to calibrate their own measurements. Among these SRMs, which are prepared and certified by three scientists at NIST who are supported by a fee paid by member companies, are standards for thallium-201; iodine-131, an agent for diagnosing and treating thyroid problems; and technetium-99m, which is used in procedures such as imaging brain tissue.

Besides the collaboration's intangible payoff in the form of product and industry confidence, the NIST-made SRMs have a more direct impact on companies' bottom lines. "If a company went out and developed these on its own, you are talking maybe \$1 million," estimates Felix Killar, director of Nuclear Programs for USCEA. "Participation in the program and having radiopharmaceuticals [whose activities are] traceable to NIST standards gives member companies a competitive advantage."

NIST Industrial Impact

Business:

The steel industry

Number of Employees:

180,000

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Steel. It is the strength and stability of skyscrapers and bridges spanning miles. It is the stuff of machine tools and mass manufacturing. It is the material of this century's two gargantuan war efforts. It is big, big business. In 1991, the U.S. steel industry sold \$27.3 billion worth of material and, even after dramatically paring back its workforce, employed over 180,000 at 83 companies that shipped 78.8 million tons of steel.

From the early years of the century, the National Institute of Standards and Technology (known as the National Bureau of Standards until 1988) has been woven intimately into the evolutionary process by which steel has become one of the most reliable, most used, and most important materials of the age. Basic steel is made from iron whose normal carbon content of 4 percent or so by weight is reduced to usually less than 1 percent and whose properties are extremely sensitive to precise differences in composition. Special alloys depend on specific additions of other elements such as chromium for stainless steel, or chromium, tungsten, and vanadium for particularly hard tool steels. The central challenge of the industry is to produce the desired amount of steel with the specified properties with the greatest possible efficiency.

To some industry representatives, the most consistent and crucial kind of assistance that NIST has lent comes in the form of Standard Reference Materials, or SRMs as they are known in the trade. NIST ships over 125 steel-related SRMs that manufacturers use for calibrating instruments and validating in-house

measurements of their products' chemical composition and physical properties such as hardness and electrical resistivity. Most of the steel-related SRMs are chips, disks, powders, or rods of steel alloys whose chemical composition has been measured with exceptional precision and accuracy.

In 1993 alone, NIST shipped 5,963 SRMs related to the chemical composition of steel alloys. These SRMs are as central to a steel company's operations as a tape measure is to a carpenter. "We use these things [SRMs] every day," says Thomas Dulski, a senior analytical chemist at Carpenter Technologies Corp., a century-old specialty steel company in Reading, Pa., which

**"It would be a
different and lesser
industry if it had
not been for NIST."**

supplied steel cables to the Wright Brothers and now specializes in high-end steel alloys for such things as surgical implants and parts for air bag systems. "I have worked in the industry for 30 years and I could not imagine the last 30 years without [SRMs and] interaction with NIST. It would be a different and lesser industry if it had not been for NIST."

Makers of huge volumes of basic steel rely just as heavily on NIST's SRMs, notes Dulski, who also is chairman of the steel analysis committee of ASTM (American Society for Testing and Materials), a voluntary standards organization through which industries develop consensus on

technical issues such as manufacturing and testing practices. "Without those SRMs, their operations would be virtually impossible," Dulski notes.

The NIST connection with the steel industry reaches nearly as far back as NIST's creation by Congress in 1901 when the steel industry was still maturing from its industrial roots a few decades earlier.

At the time, railroad accidents were occurring at a rate of over 4,000 each year, causing an annual average of almost 13,000 deaths and injuries between 1902 and 1912. The blame, it seemed, rested with broken rails, wheels, flanges, and axles pushed to failure by a combination of excessive loads, inadequate maintenance, and

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inferior iron and steel. Besides subjecting specimens from railroad disasters to chemical, mechanical, and microscopic investigations to uncover the bases for good and bad metal, NIST began supplying the steel industry with some of the first "standard materials," which companies used to better control the

properties of their products. That was the start of an extended relationship between NIST and the steel industry, which Dulski says only becomes more critical and diverse today. Besides using SRMs, the steel industry now regularly interacts with NIST via cooperative research arrangements, consortia, workshops, trouble-shooting sessions, and other collaborative mechanisms whose common goal is to improve existing technologies and to develop new ones. It would seem that this NIST-industry connection is as strong as steel.

NIST Industrial Impact

Malcolm Baldrige National Quality Award Program

By the 1980s, many industry and government leaders in the United States firmly believed that a renewed emphasis on quality was no longer an option for American companies but a necessity. An ever growing world market was, and is, demanding quality goods and services. But many American businesses either didn't believe quality mattered for them or didn't know where to begin.

To accelerate a small, slowly growing U.S. quality movement, the Malcolm Baldrige National Quality Award was established by Congress in 1987 to promote quality awareness, to recognize quality achievements of U.S. companies, and to publicize successful quality strategies.

The Baldrige Quality Award program, developed and managed by NIST with the cooperation and financial support of the private sector, has proven to be a highly successful government and industry team effort. Over the past 6 years, the award program has encouraged thousands of U.S. companies to adopt quality improvement strategies. According to a recent report by the Conference Board, a private business membership organization, "A majority of large U.S. firms have used the criteria of the Malcolm Baldrige National Quality Award for self-improvement, and the evidence suggests a long-term link between use of the Baldrige criteria and improved business performance."

While quality management cannot guarantee success, the Baldrige award winning companies and many others believe that investing in quality can lead to outstanding returns, both for individual companies and the country.

For example, Thomas N. Kennedy, an executive with Sollectron Corp., says, "We embraced the Baldrige criteria in 1989 and continue to use it as a template for process improvement as well as for driving leadership and employee involvement in all aspects of quality. As a result, annual revenue has increased over threefold in the

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last 4 years, from \$130 million to \$407 million. ... Net income has increased from \$4.3 million to \$14.5 million ... jobs have increased from 1,500 to over 3,700 and Sollectron's customer satisfaction index grew to 93 percent." Based in California, Sollectron, a 1991 Baldrige Award winner, provides manufacturing services to the electronics industry.

In the early 1980s, senior management at Ames Rubber Corp., a 1993 Baldrige Award winner, realized that the international marketplace was changing dramatically. The New Jersey company of about 450 employees produces rubber rollers for office machines and highly specialized automotive parts. Even though the firm was doing well both in Europe and the United States, its customers were demanding products that met more exacting quality

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requirements at lower prices. Offshore competition was emerging, and it became evident that business as usual would not suffice.

With help from Xerox Corp., its prime customer, Ames Rubber instituted a new work process in 1987 based on quality management. Their success can be measured by a 3-year, 48-percent increase in productivity, a defect rate that has plummeted from 30,000 parts per million in 1989 to just 11, and savings from teammate ideas of over \$1.2 million in 1993 alone.

Eastman Chemical Co. also looked to quality management as a way of getting back on track after losing market share of a major product in the late 1970s. Employing over 17,000, the company used the Baldrige Award criteria to help define its quality culture and regain its competitive edge.

**The three
publicly traded
whole company
Baldrige winners
outperformed the
Standard & Poor's
500 from the time
they won through
Sept. 30, 1993, by a
factor of 8.6 to 1.**

Eastman Chemical is indeed competitive. For the past 4 years, over 70 percent of its worldwide customers have ranked Eastman as their number one supplier. Of the five factors customers believe are most important—product quality, product uniformity, supplier integrity, correct delivery, and reliability—Eastman has been rated outstanding for the past 7 years. And, quality management helped the company reduce the time to bring a new product to market by 50 percent since 1990.

Says company president Earnie Deavenport, "Eastman, like other Baldrige winners, didn't apply the concepts of total quality management just to win an award. We did it to win customers. We did it to grow. We did it to prosper and to remain competitive in a world marketplace."

Other Baldrige winners have similar stories:

- ◆ At Federal Express Corp., a 1990 winner, ideas from Quality Action Teams have saved the company almost \$29 million.
- ◆ At 1988 winner Globe Metallurgical, exports have grown from 2 percent to 20 percent of sales from 1988 to 1992, while overall sales grew by 24 percent.
- ◆ Customer accounts at Granite Rock Co., a 1992 winner, have increased 38 percent from 1989 through mid-1993.
- ◆ According to an article in the Oct. 18, 1993, *Business Week*, the three publicly traded whole company Baldrige winners outperformed the *Standard & Poor's* 500 from the time they won through Sept. 30, 1993, by a factor of 8.6 to 1.

Dr. PRABHAKAR. I think that it is useful to look at. NIST is actually a portfolio of different tools, different mechanisms focused on serving our industries in this country.

NIST LABORATORIES

Let me just describe those to you. The first of those is our NIST laboratories—the old Bureau of Standards and this part of our business is something we have been doing for nearly 100 years. We recently found a time capsule from our building that used to be at Connecticut Avenue and Van Ness Street here in Washington. It was a time capsule from 1916, and in it we found a certificate for a standard reference material we made at that time to support the steel industry. It is a steel alloy, and this is a similar standard reference material that we make today.

I think it really exemplifies what the purpose of the laboratory really is. The goal here is to provide the kind of infrastructural technology, the measurement technologies that every company needs to do its job, but no company could recoup the benefit from it if they were to make the investment by themselves.

So in the same way that we provided this kind of technology in the early part of the century, you can imagine that the technological complexity of what we now need to do to serve our industry in that fashion is significantly greater.

This is a standard reference material that we issued recently. It is an optical fiber diameter standard reference material, and what it does is allow the manufacturers of optical fibers in this country—the people who are building the wires that are going to make part of our national information infrastructure—to control very accurately the diameter of their fibers.

This was a problem they had in manufacturing. They were being beaten by their overseas competitors because of a lack of ability to control that process. And they now tell us that with the use of this standard reference material, they have gained a clear competitive advantage. Those are their words. And I think that is a very compelling example of the kind of work that we do in our laboratories.

Our budget request for the laboratories is \$316 million for fiscal year 1995. It is up about \$90 million. In addition, there is a budget request for \$100 million to support construction of research facilities. This is part of the multiyear activity that you all have supported in the past, and its goal is to make sure that we have the facilities and the capabilities to provide these kinds of services to American industry to keep up with the technological complexity in that endeavor. These funds will renovate our facilities in Gaithersburg and in Boulder, Colorado.

ADVANCED TECHNOLOGY PROGRAM

That is our traditional core. We have a group of new programs that began when we became NIST in the late 1980s. One of those is the Advanced Technology Program, and the mechanism here is to fund high-risk projects in companies on a cost-share basis to extend the reach of private R&D dollars to do things that really can't be done with private dollars alone.

This is an interesting example from one of our ATP award winners. This is a laser diode. It is a much more sophisticated version

of what you find in your CD player at home. This is a product that they developed. They paid for the product development; that is not the job of our dollars.

What we did with them was cost-share the development of the technology base. We were actually helping to define the technologies that were going to help them make an even more advanced version of this. But as we went along and they saw the technology opportunities, they realized that they could make this product for laser printing and optical recording purposes, so this became a spin-off, a product opportunity that they would not have identified without looking at these new technologies that we helped them fund through ATP.

I think that is an interesting early demonstration of the kinds of doors that we can open with ATP. This program has been operating in a pilot stage in its early years.

Last year's appropriation of \$199 million was the first real increase in the program. And I think in its earliest days, the program laid a very solid base, a very rigorously competitive program that is closely coupled with American industry. I think the framework has been in place.

With the first major increase that we received last year, we have begun to lay in place a scale-up strategy. The essence of the strategy is to ask industry to help us define strategic focus areas for ATP funds.

That process is well underway, and the engagement with industry is very rich and very productive. This year we are requesting \$451 million for ATP, and that will get us well on our way to the President's goal of a national program of about \$750 million by 1997.

Manufacturing extension is the third tool in our bag of tricks. This is a completely different business. Here we are trying to provide access to information and expertise for small manufacturers around the country as they try to upgrade their capabilities and become more competitive.

This is an example of a component made by one of our client companies, a company named Prime Tube, Incorporated, in Michigan. It is basically a company that buys tubes, cuts them into pieces, shapes them, adds value to tubes, and then sells them to automobile manufacturers. This is something that goes into a Dodge van steering column. And this is a company that has about 20 employees.

Its president tells me that today they would not exist if they hadn't gotten assistance from the Manufacturing Technology Center in Michigan, close to where they operate. We were able to help them become much more efficient in their manufacturing operations by rearranging their shop flow, integrating new tools, and it is that kind of industrial engineering practice that is the essence of what we are doing in manufacturing extension.

This program, like ATP, has been operating at a pilot stage for several years. We have seven centers that were established in the early years of the program. Last year in particular, by working with ARPA on the Technology Reinvestment Project, we have been able to begin the steep climb now to try to build a national network of 100 manufacturing centers, which is our goal by 1997.

At the end of this year, we will have 35 centers in operation, and with the fiscal year 1995 request, our direct appropriation combined with continuing support through the TRP dollars from ARPA, should be at over 60 centers. So we will be well on our way to the goal of 100 centers.

I think this program is a very interesting example of a new mechanism, something we have never really done in R&D before, but reaching out to help companies implement technologies and really make a competitive advantage come out of that.

MALCOLM BALDRIGE NATIONAL QUALITY AWARD

The fourth tool in our portfolio at NIST is the Malcolm Baldrige National Quality Award, and while it doesn't fund technical work in the way that these other programs do, I think it is an important example of what you can do by holding out the best examples of quality practices and using that to spread the quality philosophy throughout the community.

This is a circuit board that is made by Selectron. That is a company that won a Baldrige award in 1991. They provide manufacturing services for the electronics industry. They are located out in California. That company has gone through enormous growth as an organization since 1991 when they won the award. At that time, they employed 1,500 people. Today they employ 3,700 people.

The president of that company says the major reason they were able to go through that kind of growth was that they focused their processes and improved their capabilities by using the Baldrige award criteria. And thousands, if not millions, of others have used those criteria, even if they haven't applied for the award. So I think that has been an important contribution.

We are requesting \$6.9 million in the budget for the Baldrige Award Program in fiscal year 1995. That will serve to continue the current programs and also to explore the expansion of the Baldrige award to two new categories, in education and health care.

I think the first part of our overall strategy is that we have the programs in place, we are fully engaged with the industry, and things are working and producing value today. I think that is critical.

We also have done some real soul searching about the fundamental issue in this business of civilian technology. As I indicated, we are really beginning a strategic shift in how we are spending our Federal R&D dollars and since it is a new job, we felt it was very important to look at the underlying questions. First, how do you spend the taxpayer dollar, and second, when you have spent it, how do you measure the results?

To address those questions, we recently wrote a document called, "Setting Priorities and Measuring Results at the National Institute of Standards and Technology." It describes our processes for these two fundamental questions for the labs, ATP, manufacturing extension and the Baldrige Award, and I would like to offer this as well for the record, if I might, Mr. Chairman.

Mr. SMITH. Fine.

[The information follows:]

**SETTING PRIORITIES
AND
MEASURING RESULTS
AT THE
NATIONAL INSTITUTE OF
STANDARDS AND TECHNOLOGY**



National Institute of Standards and Technology
Technology Administration
U.S. Department of Commerce
January 31, 1994

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FOREWORD

Accelerated development, commercialization, and adoption of technology are key, driving elements of the Clinton Administration's plan to foster long-term economic growth that benefits all U.S. citizens. The Administration's strategy of making direct, purposeful investments to prime industry's wealth- and job-creating pump of innovation and commercialization is moving federal technology policy in new directions and toward new horizons.

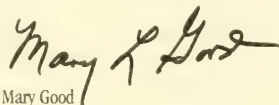
A "grand experiment" has begun, one in which industry and government are collaborating as willing partners in responding to unprecedented technological challenges and opportunities. Past federal investments in science and technology helped to bring an end to the Cold War and to make the United States the world leader in science. To repeat this success in the arena of global economic competition, the federal government must tightly couple its technology programs to U.S. industry's goals and priorities, and it must work closely with the private sector to accomplish technological and economic objectives that will pay dividends to the entire nation.

This widely recognized imperative—that of effectively linking the complementary technology activities of government and industry—evokes two key questions that warrant thorough, thoughtful responses. First, how does the federal government select where to invest public resources and, second, how do we measure the results of our investments in technology development and application?

This paper presents how we at the Commerce Department's Technology Administration are addressing these important questions for the National Institute of Standards and Technology (NIST). It describes how NIST's four major programs—the Advanced Technology Program, laboratory R&D, the Manufacturing Extension Partnership, and the Malcolm Baldrige National Quality Award program—set priorities, evaluate performance, and measure economic impact. The issues addressed in this paper cannot be reduced to simple formulas that yield unambiguous, quantitative answers, or fixed coordinates that lock in a course for NIST programs. But, in addressing these questions, we can identify ways to improve how we do our job and to increase the effectiveness of NIST programs.

Judgments are an inherent part of the process of setting priorities and measuring results, but these judgments must be guided by comprehensive qualitative and quantitative information that captures customers' needs and accurately portrays how efficiently and effectively NIST is responding to those needs. Therefore, efforts to develop better processes and metrics are fundamental to accomplishing NIST's objectives of continuously improving and increasing the value of our programs.

This paper, which has benefited from our discussions with many government and industry experts, has been prepared to promote discussion and invite constructive criticism from industry, academia, government agencies, and others with a role in civilian technology. Therefore, we pose a question to our readers: How can NIST improve its processes for setting priorities and measuring results? We'd really like to benefit from your thinking. So, please send us your comments.



Mary Good
Under Secretary for Technology, DOC



Arati Prabhakar
Director, NIST

SETTING PRIORITIES AND MEASURING RESULTS

Growing appreciation of technology's pivotal economic role is leading to changes in federal R&D investment strategies. The Clinton Administration aims to accelerate technology development and application as part of a national effort to foster long-term economic growth that creates new high-quality jobs, builds new industries, and improves the U.S. standard of living. With strong support in Congress and industry, the Administration advocates direct, purposeful investment in commercially relevant technologies. Moreover, the new policy assigns the federal government to the role of partner to industry—as well as to labor and academia—in working to catalyze and facilitate technology development, application, and adoption. An operational aim is to focus and leverage federal expenditures so that relatively small investments yield meaningful economic benefits for the nation.

Like the post-World War II decisions that successfully aligned federal R&D spending with defense and other national needs, today's policy decisions are reckoning with new circumstances wrought by the end of the Cold War, intensifying global economic competition, the rapid diffusion of discoveries and innovations across international borders, and the increasing technological intensity of modern manufacturing and service industries.

This transition in federal technology policy is occurring during a period of constrained federal budgets, prompting two frequently asked questions: First, how do agencies with technology programs identify and select areas warranting investment of federal resources? Second, how do agencies measure the results of their technology investments and ascertain whether these investments are yielding their anticipated national benefits?

The Mission and Role of NIST

These questions are especially relevant to the National Institute of Standards and Technology, part of the Commerce Department's Technology Administration. The Clinton Administration has assigned NIST to an important role in its plans to help U.S. industry to improve its development, commercialization, and adoption of new technology.

NIST's explicit mission is to promote U.S. economic growth by working with industry to develop and apply technology, measurements, and standards. [See box on next page, NIST in the Context of Federal R&D.]

An operational aim is to focus and leverage federal expenditures so that relatively small investments yield meaningful economic benefits for the nation.

The agency's portfolio of programs features four approaches to carrying out its mission and serving U.S. industry.

Under this mission, unique among federal agencies, NIST's direct customer is U.S. industry, which, in turn, is the means to accomplishing the agency's ultimate objective of fostering sustained economic growth that benefits U.S. citizens. The agency's portfolio of programs features four approaches to carrying out its mission and serving U.S. industry:

- ◆ an Advanced Technology Program (ATP) that invests in cost-shared projects in companies to develop enabling, high-payoff technologies that otherwise would not be pursued because of technical risks and other obstacles that discourage private investment;
- ◆ laboratory research programs focused on meeting U.S. industry's infrastructural technology needs, including standards, measurements and measurement technologies, evaluated data, manufacturing process models, product-performance tests, and quality-assurance techniques;
- ◆ a Manufacturing Extension Partnership (MEP) that is scaling up to a cost-shared, integrated, nationwide network of over 100 manufacturing extension centers to help small and medium-sized manufacturers to modernize their production capabilities; and
- ◆ the Malcolm Baldrige National Quality Award program that provides criteria for assessing quality management and competitiveness and sharing information on successful strategies.

NIST in the Context of Federal R&D

The Clinton Administration has begun to make a clear transition in technology policy. It is moving the government from the four-decade-old R&D policy based on post-World War II priorities to a policy that specifically includes an investment strategy designed to strengthen America's industrial competitiveness. NIST's programs are one important part of this transition.

The federal government is responding to global economic changes by:

- ◆ Direct investment in civilian technology for economic growth. NIST is the part of the federal R&D investment that focuses explicitly on this mission.
- ◆ Increased emphasis on directing defense R&D toward a dual-use technology base. The Defense Department's Advanced Research Projects Agency has led technology efforts to foster the growth of an integrated industrial base that is economically competitive and able to meet military needs. This approach is now expanding to other parts of the defense investment.

NIST aims to be a strong partner to U.S. industry. Over nine decades of working with U.S. companies, its laboratories have developed a culture of cooperation. Indeed, a recent report by the Council on Competitiveness described the NIST laboratories' process of working cooperatively with industry as "the most streamlined of all and is perhaps the best model for other federal labs to follow. ... NIST is very flexible and able to respond quickly to industry's inquiries without bureaucratic interference."¹ This traditional culture is the base upon which NIST will build to meet its new challenges.

Need-Focused Priorities, Results-Driven Measures

NIST programs are guided by measurement and evaluation systems that the agency uses as it sets priorities, evaluates operational performance, and assesses near- and long-term returns on agency investments and activities. Priorities are set and results are measured on the basis of benefits realized by U.S. industry.

Conferences and workshops regularly convened by NIST are among a variety of tools that the agency uses to identify industry's high-priority technology needs. Industry input helps to set the direction and emphasis of NIST programs, and it encourages industries and individual companies to shape and participate in new initiatives. One result of this process is high levels of industrial participation in NIST programs; another is solid agreement on technical objectives.

- ◆ Increased industry access to commercially useful technology developed in government laboratories for other purposes. The Department of Energy and the National Aeronautics and Space Administration, for example, are working to leverage their laboratory investments for economic benefit.
- ◆ Maintaining a strong commitment to basic science. A healthy and productive national science base—the world's best—will continue to be a critical source for future technological progress. The National Science Foundation and the National Institutes of Health are key players in this endeavor.

In the context of these new directions in federal technology policy, NIST has an important, tightly focused role to play. As the NIST budget grows, the agency's share of funding will increase but will still remain a small fraction of overall R&D spending: less than two percent of the federal allocation and less than one percent of the nation's total R&D expenditures. Working in partnership with industry and coordinating closely with other federal technology agencies, NIST can contribute significantly to the national effort to accelerate the benefits of technology for economic growth.

"NIST is very flexible and able to respond quickly to industry's inquiries without bureaucratic interference."

NIST seeks and relies on industry input on the direction and content of its program at several levels of organization. For example, the Visiting Committee on Advanced Technology, a nine-member advisory body that traces its origins to the founding of the agency in 1901 and is composed largely of industry representatives, meets quarterly to review the policies, budget, organization, and programs of the Institute. Indicative of the committee's oversight are a 1992 evaluation of NIST's strategic planning process, subsequent reviews of the strategic plans of several laboratories, and a 1993 study of the strategic direction of the Advanced Technology Program. In addition, each of NIST's eight intramural laboratories undergoes annual performance assessments by independent panels of experts from industry and academia, convened by the National Research Council.

Continuous Improvement

Like any organization aspiring to world-class status, NIST must critically evaluate itself and scrutinize its programs through the eyes of its customers. Likewise, systems and mechanisms for setting priorities, evaluating performance, and measuring impacts must be continually strengthened and improved, paving the way for improvements in the quality and content of programs and services.

Scaling Up, Managing Growth

President Clinton's economic plan calls for increasing NIST's total budget from \$384 million in FY 1993 to \$1.4 billion in FY 1997. While the total NIST investment will still be a small fraction of the federal R&D budget, the growth represents a significant challenge for NIST to scale up rapidly while maintaining the quality of its activities. The agency is meeting the challenge through carefully developed management plans. The strategy is to build on NIST's proven approaches for working with industry and to achieve scale-up with minimum staff growth and bureaucratic overhead.

Two programs will account for more than half of the expected increase in the agency's budget through 1997. The ATP will grow from \$68 million in FY 1993 to \$750 million in FY 1997. The MEP will increase from seven manufacturing technology centers to a nationwide network of over 100 extension centers. Both programs have been pilot tested, and results attest to their potential to produce important macro- and microeconomic benefits. From their inception, the ATP and MEP have been designed to be national in scope. And, because the funds in each program are for activities performed in the private sector, neither will require large increases in NIST personnel. For FY 1997, each program will operate with a total staff of under 100 staff members.

The strategy is to build on NIST's proven approaches for working with industry and to achieve scale-up with minimum staff growth and bureaucratic overhead.

The focus on methods for setting priorities, evaluating operational performance, and measuring results is especially critical now, as the Administration proceeds with plans to nearly quadruple the NIST budget by 1997 and as public expectations for economic returns on the agency's technology programs increase commensurately. [See box on Scaling Up, Managing Growth.] The ATP and MEP will scale up rapidly, growing from pilot projects to programs of the size necessary to achieve national economic impact.

Each NIST program aims to accomplish objectives that depend significantly on industry's behavior, capabilities, and commitment. Measurements of performance and impact are critical, the basis for improving the effectiveness and extending the reach of NIST programs. Yet, there is little precedent in the federal government—and inconsistent results in industry—when it comes to measuring the results of technology investments.

Returns on R&D investments typically do not begin to accrue until several years after research is completed. This lag between expenditures and returns—and diffusion of expected benefits across broad sectors of the economy—makes assessments of the economic impact of most ATP projects and much of NIST's laboratory-based R&D a long-term endeavor. Because economic effects can be projected but never known with certainty in advance, NIST must select priorities

Each NIST program aims to accomplish objectives that depend significantly on industry's behavior, capabilities, and commitment.

Direct funding of NIST laboratories will roughly double between FY 1993 and FY 1997, to about \$400 million. This increase will address a shortfall in national capability that is the result of two trends. First, during the past several decades, NIST's laboratory budget has been flat or eroding while new industries—such as biotechnology and computer networking—have emerged and the technological complexity of established industries has increased. The result has been a widening gap in our national measurement infrastructure. Second, NIST laboratories have been heavily dependent on funding from other government agencies: for example, about 25 percent of the NIST laboratory staff was supported by Department of Defense funding in FY 1993. As direct appropriations for NIST laboratories increase, the agency will be better able to respond to industry needs for infrastructural technologies. The laboratories plan to offset their heavy dependence on other agencies' funding and thus only increase staff by about 10 percent through FY 1997.

The Malcolm Baldrige National Quality Award program already has experienced dramatic scale-up from its establishment in late 1987 by Congress to its first awards the next year to a full-scale program with national and international impact. With pressing needs to move quality management principles into the practices of education and healthcare organizations, NIST is readying pilot efforts leading to full-fledged award programs in 1996.

The need to measure returns on taxpayer investments in federal technology programs is of paramount importance.

carefully and rely on measures of performance and short- and intermediate-term results as it decides where and how to invest its resources.

In addition, methodologies for measuring economic impact are still evolving, and data-collection efforts confront several obstacles: the proprietary nature of certain information, the necessarily qualitative nature of some types of impacts (for example, the adoption of quality strategies or changes in the horizons and composition of corporate research portfolios), the high cost of collecting original data, and the difficulty in clearly defining criteria for quantifying job creation and job retention. Methodological and data-collection issues notwithstanding, the need to measure returns on taxpayer investments in federal technology programs is of paramount importance, and approaches to meeting this need warrant thoughtful—but action-oriented—discussion inside and outside of government.

ADVANCED TECHNOLOGY PROGRAM

One of the most innovative elements of the NIST technology strategy, the ATP invests directly in the nation's economic growth by supporting enabling technologies with strong potential for U.S. economic benefit.

The ATP provides funds for the early phases of technology development through cooperative research agreements to single businesses or industry-led joint ventures and research consortia. There are some legislated limits. Awards to individual companies may not exceed \$2 million, and the projects must be completed within three years. Projects by joint ventures may run as long as five years, and the ATP can fund up to 50 percent of the project. Cost sharing is required for all projects.

ATP projects are selected on the basis of a rigorous competition that considers both the technical and business merits of the proposals. One of the unique features of the ATP is this review process, which evaluates the proposal's potential economic impact, the evidence that the proposer is significantly committed to commercializing the results of the project, and other business-related factors affecting the likelihood that successful results will be commercialized.

The nature of the ATP poses unique challenges for effectively setting priorities and evaluating the results of the program:

- ◆ The potential ATP client base—effectively all of U.S. industry—is huge and diverse, covering all areas of technology and ranging from small entrepreneurial start-ups to major multinational corporations. The ATP relies on substantial input from this diverse industrial base to define and implement its programs. The challenge is to run a program that responds effectively to the priorities of this heterogeneous community.
- ◆ The time line for ATP payoff is relatively long. The ATP does not support product development, but rather the development of key technologies that *enable* innovative new or improved products, services, and industrial processes. While the goal of the ATP is to foster significant economic benefits for the United States, the greatest benefits will flow from products, services, and processes that will be developed *after* an ATP project itself is completed. The challenge is to set up an evaluation strategy that considers both the immediate performance of the program and its effectiveness in the long run.

The ATP relies on substantial input from this diverse industrial base to define and implement its programs.

Setting ATP Priorities

A central tenet of the ATP since its inception in 1990 always has been that its research priorities should be set by industry rather than the government. The purpose of the program is not to impose government's judgment of the best opportunities for commercial success, but rather to enable industry to pursue certain high-risk projects that, if successful, would enable significant economic benefits for the country. U.S. industry invests tens of billions of dollars annually to turn "technology" into products, profits, and jobs. The relatively minor funding from the ATP is meant to extend industry's reach, to foster riskier projects that would not be pursued by private funds alone.

During the pilot phase of the ATP, NIST held general competitions for ATP funding, open to all areas of technology. All project *ideas* come from industry. Candidate projects are not evaluated on the basis of *what* technology is proposed, but on how sound the proposal is within that technology and on the projected economic impact. Specifically, proposals are evaluated on:

- ◆ scientific and technical merit;
- ◆ the potential broad-based economic benefits;
- ◆ plans for eventual commercialization of the research;
- ◆ the experience and qualifications of the proposer; and
- ◆ evidence of the proposer's level of commitment to the project, and clarity and appropriateness of the proposer's management plan.

As it grows from a pilot program to a full-scale activity, the ATP requires a more sophisticated approach to setting investment priorities. Even at the Administration's proposed funding level of \$750 million per year by 1997, the ATP will represent less than one-half of one percent of the nation's R&D budget. To obtain maximum benefit from its investments, the ATP will devote the bulk of its funds to selected, focused *program areas*.

ATP focused programs will have aggressive, well-defined technological and business goals, generally involving the parallel development of a suite of interlocking R&D projects. By managing groups of projects that will complement and reinforce each other, the ATP will be able to have the greatest possible impact on technology and the economy.

The key to this plan is a system for selecting program areas that retains the strong industry orientation of the ATP. The approach is analogous to that used in *project* selection: let the ideas come from industry and select on the basis of clear evaluation criteria.

ATP focused programs will have aggressive, well-defined technological and business goals, generally involving the parallel development of a suite of interlocking R&D projects.

The criteria for selecting focused program areas for ATP investment resemble those used for project selection:

- ◆ potential for U.S. economic benefit;
- ◆ strength of the technical ideas;
- ◆ evidence of strong industry commitment; and
- ◆ the opportunity for ATP funds to make a significant difference.

ATP competitions within the focused programs will support specific *projects*, using the same procedures and selection criteria used for general competitions. While most of the ATP's resources in the future will go to specific focused programs, the ATP will continue to hold general project competitions open to any and all areas of technology, holding the door open to promising ideas that don't fit into any current program. (See Reference 2 for a complete description of the process being used to define focused programs and to solicit program ideas.)

ATP Evaluations

From its start, the ATP has emphasized detailed evaluation as critical to an effective, results-oriented program. The evaluation plan for the ATP as a program has five principal elements and stresses *measurable* goals whenever meaningful:

- ◆ assessing the ATP's own critical operational activities;
- ◆ "portfolio" profiles of applicants, recipients, technologies, and projects;
- ◆ evaluation of industry's implementation of both the R&D and business components of ATP projects;
- ◆ tracking short-term and intermediate project results; and
- ◆ measurement of long-term economic impacts.

There is one important overriding consideration: The ATP does not expect every project or program to be a success. The ATP is supposed to foster *high-risk* projects that would not be undertaken without its support. In fact, too high a technical success rate would suggest that the project selections are overly conservative. Thus, ATP's success must be evaluated from the perspective of portfolio management, for which the key measures are aggregate returns on the full set of ATP-funded technologies.

Performance of critical operational activities is a measure of the ATP as a service organization. To be effective, the ATP must work smoothly with private

From its start, the ATP has emphasized detailed evaluation as critical to an effective, results-oriented program.

The ATP sponsors third-party studies of award recipients to get customer feedback.

industry and, like industry, must be agile and responsive to a rapidly changing technological frontier. Operational activities include:

- ◆ soliciting and evaluating proposals;
- ◆ promoting a widespread understanding of the ATP and its opportunities;
- ◆ providing constructive feedback to proposers whose projects were not selected;
- ◆ providing additional support to selected projects, by initiating links to related research programs, for example; and
- ◆ monitoring the progress of projects.

Typical questions include: How well known is the ATP in industry? Is industry responsive to ATP solicitations? What steps are taken to ensure high-quality proposals to the ATP? How thorough is the review process? And—very important—how do the program's immediate customers—the companies the ATP works with—view it?

Considering the relatively low levels of funding in its first three years as a pilot program, the ATP has engendered a particularly strong favorable response from industry. In four competitions, the ATP has received nearly 1,000 applications, performed more than 2,000 technical evaluations and more than 700 business evaluations (only the highest-scoring proposals in the technical evaluation go on to a business evaluation), and made awards to nearly 90 projects.

In addition to numerous talks and briefings by ATP personnel around the country, four conferences have been sponsored to help potential applicants with the fine points of the proposal process. Oral “debriefings” have been made available to all unsuccessful applicants.

The ATP sponsors third-party studies of award recipients to get customer feedback. Comments on interactions with the ATP staff have been uniformly positive. For instance, the vice president of a small company stated, “The personnel within the ATP have been the most responsive of any government organization that I have dealt with over the years. This is extremely critical. The commercial markets in technology-related fields move very fast, and a needless delay can kill a promising technology or leave it to be taken over by foreign competition.”³

Profiles of applicants, recipients, technologies, and projects enable the ATP to assess how well it meets goals of reaching a broad spectrum of technologies and stimulating private R&D. Typical questions include: Can small businesses compete effectively for ATP awards? How does the ATP affect R&D trends in private industry? What technologies tend to receive the most awards? What is the geographic distribution of ATP participants? How do the ATP projects reflect critical national technology goals?

Analyses of the projects funded to date suggest that small businesses in fact do very well in the ATP. More than 60 percent of all successful single applicants are small businesses, and small businesses are playing a critical role in 18 of the 23 ATP joint ventures, including leading six of these projects.

Profiles also suggest that the ATP has led—as desired—to an increase in joint research and development ventures in private industry. In the first four competitions, approximately 125 joint ventures involving over 800 organizations were formed to apply to the ATP.

While the ATP has demonstrated considerable breadth in its pilot phase, with projects from fields such as manufacturing processes, medicine, pollution abatement, transportation, energy conservation, and even agricultural pest control, proposals have been concentrated in certain areas: information technologies (including electronics), advanced materials, manufacturing processes, and biotechnology. ATP projects can be found in every subcategory of the “critical technologies” list prepared by the Office of Science and Technology Policy.

Evaluation of industry's implementation of both the R&D and business components of ATP projects tracks how well businesses follow through on the business and commercialization strategies outlined in their ATP proposals. NIST considers this an important element, because financing research for its own sake is *not* a goal of the ATP. It also encourages the award recipient to constantly re-evaluate the commercial opportunities opened up by ATP research in rapidly changing technologies, and allows ATP managers to understand how business strategies change as projects evolve.

ATP project managers collect the information during quarterly, year-end, and end-of-project reviews. The ATP is field testing a new, customizable, questionnaire designed to gather more detailed data than are now available. A key goal is to gather the information in a manner that allows for easy updating and minimizes the reporting burden.

Tracking short-term and intermediate project results provides an indication of the ATP's immediate effect on the companies that participate. A number of measurable short-term effects are expected to provide indicators of long-term economic success. In addition to straightforward tracking of technical milestones, these indicators include:

- ◆ increased R&D investment and R&D in new areas leveraged by ATP funds;
- ◆ increased industrial collaborations and strategic alliances;
- ◆ strengthened technological infrastructure (through the development of new enabling technologies);

Evaluation of industry's implementation of both the R&D and business components of ATP projects tracks how well businesses follow through on the business and commercialization strategies outlined in their ATP proposals.

A third-party survey of early ATP award recipients found that the participants cited the ability to pursue promising lines of research that they otherwise could not have followed as the most important effect of the ATP.

- ◆ shortened R&D cycles;
- ◆ investment in production capacity; and
- ◆ productivity improvements.

A variety of tools are used for these analyses, including data gathered by ATP project managers, studies done by participating companies, and third-party reviews and surveys conducted as part of the ATP evaluation program.

After four competitions, the ATP has committed to \$247 million, leveraging approximately \$268 million in industry investment in R&D. Early results from this pilot phase of the ATP indicate that the program is making an impact.

In addition to the increase in industrial joint R&D ventures noted above, a third-party survey of early ATP award recipients found that the participants cited the ability to pursue promising lines of research that they otherwise could not have followed as the most important effect of the ATP.³ Forging new relationships between companies, and between companies and government or academic labs, was rated by participants as the second most important effect of the ATP.

Another third-party study found that total U.S. R&D work on advanced technologies for printed-wiring boards (PWBs) essential to all modern electronic devices more than quadrupled as a result of the ATP.⁴ As a direct result of the ATP, major research consortia have been formed to pursue advanced technologies in mass data storage and flat-panel displays, two technologies considered key to future information technologies. Other consortia have been funded in the areas of biotechnology, automated manufacturing, and advanced materials.

ATP participants also have cited dramatic reductions in development time and significant productivity gains—participants in the PWB project estimated average productivity gains of 30 percent in major program areas.

Long-term economic impact is the bottom line for the ATP, and its measurement is key. Program goals include increased U.S. economic growth, increased industrial competitiveness, and creation of high-value jobs. Measures of the long-run success of the ATP include:

- ◆ creation of new industries or new industrial capabilities;
- ◆ improvements in manufacturing costs, product quality, and time to market;
- ◆ increased worldwide market share;
- ◆ job creation; and
- ◆ private and social rates of return on investment.

At present, it is too early to measure long-term impacts. Several products incorporating the results of ATP-supported research have been introduced or are near

commercialization. In addition, one company has introduced ATP technology into a manufacturing process on a pilot scale, but in general almost all ATP projects are still in the R&D phase of product development. In most cases, it will take several years before a long-term effects study will be feasible.

The planned approach to these long-term studies is to use microeconomic case studies to estimate specific benefits and costs of new technologies developed under the ATP. This approach is in line with generally accepted economic analysis techniques. Specific projects and programs for detailed study will be selected using statistical sampling techniques.

The measurement of long-term economic impacts of the ATP requires three major efforts:

- ◆ development of quantitative measures of the degree of influence or effect that the ATP has on the introduction and diffusion of each new technology it supports;
- ◆ development of quantitative and qualitative measures of the influence or effect of each ATP-funded technology on the economy; and
- ◆ estimation of private and social aggregate economic benefits and costs from each new technology developed under ATP funds.

The planned approach to these long-term studies is to use microeconomic case studies to estimate specific benefits and costs of new technologies developed under the ATP.

NIST LABORATORY PROGRAMS

As noted in a recent report by the Office of Technology Assessment, NIST's laboratory program occupies a "unique niche in the nation's infrastructure."

NIST's eight laboratories serve all sectors of U.S. industry through tightly focused research programs and services that address industry's needs for measurement and infrastructural technology. Industry traditionally underinvests in the development of these infrastructural technologies because they are used simultaneously by many firms and typically are not embodied in products, making it difficult for individual firms and even industries to recover R&D investments. However, measurement methods, evaluated data, process models, interface standards, and other types of infrastructural technologies are pacing factors in technology development and application, setting the upper limit on what can be accomplished in the laboratory or on the factory floor.

As noted in a recent report by the Office of Technology Assessment, NIST's laboratory program occupies a "unique niche in the nation's infrastructure." The report also characterized the program's core competency and preferred problem-solving approach:

NIST has earned a worldwide reputation for impartiality and technical excellence. Its competencies in metrology—the science of measurement—span a number of disciplines. The efficiency of solving a measurement problem once at NIST and then disseminating the results throughout the whole industry, rather than each company performing the job independently for itself, provides outstanding leverage for NIST's metrological development.⁵

NIST's evaluations of industry's technology needs indicate widespread demand for enhanced measurement capabilities, and industry's own analyses concur. For example, a 1993 assessment by the Semiconductor Industry Association (SIA) identified unmet measurement needs as impeding the U.S. semiconductor industry's progress toward accomplishing critical technology goals. SIA called on NIST for increased assistance, describing the agency as the "only place in the U.S. where the broad range of measurements needed for semiconductor processing are routinely and systematically developed."⁶

Similarly, the Council on Radiation Measurements, which represents more than 150 U.S. companies, asked NIST to improve the accuracy of measurement standards for optical and infrared radiation by a factor of 10. The request was motivated by the companies' desire to improve quality control in a variety of manufacturing processes. The collaboration has produced a cryogenic radiometer that is possibly the most accurate in the world and is being tested in a number of applications.

Setting Laboratory Priorities

NIST's laboratories set their priorities in consultation with industry in accordance with six guiding criteria:

- ◆ the magnitude and immediacy of industrial need;
- ◆ the degree of correspondence between a particular industrial need and NIST's mission to develop infrastructural technologies;
- ◆ the opportunity for NIST participation to make a major difference;
- ◆ the nature and size of the anticipated impact resulting from NIST's participation;
- ◆ NIST's capability to respond in a timely fashion with a high-quality solution; and
- ◆ the nature of opportunities afforded by recent advances in science and technology.

NIST's laboratories try to anticipate the measurement and other infrastructural technology needs of industry. The ideal is to have solutions available before prospective problems and challenges materialize as actual obstacles in product development, manufacturing, market transactions, or other industrial and business activities. If NIST does not respond early to looming technological hurdles, the effectiveness of its laboratories is diminished. Therefore, failures to anticipate major technology needs also must be taken into account as the laboratories' priority-setting performance is reviewed.

In their strategic planning, the laboratories employ a variety of formal and informal mechanisms for soliciting industry input and gauging its priorities. Formal mechanisms include NIST-convened conferences devoted to eliciting and synthesizing company and industry-wide views on key technical challenges and major goals in important technology areas. In 1993, 40 priority-setting conferences were convened to address topics ranging from "green" manufacturing technologies to technical issues in network security.

Over the past two years, a series of conferences focused on measurement needs arising from tightening dimensional tolerances in manufactured products from integrated circuits to aircraft. Responding to the needs voiced by representatives of the \$15 billion U.S. gear manufacturing industry, NIST joined with the American Society of Mechanical Engineers and the Department of Energy's Oak Ridge Y-12 plant to create a NIST/DOE Center for Gear Metrology at the Y-12 facility. The unprecedented interagency collaboration is now under way.

Other formal mechanisms for assessing industry priorities include the agency's Visiting Committee on Advanced Technology, an advisory body primarily composed of industry representatives. Industry also is well represented on independent

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assessment panels. Organized by the National Research Council, these panels annually review the performance of each NIST laboratory and evaluate its short- and long-term goals.

Each laboratory has cultivated strong working relationships with industrial, trade, and professional organizations in its areas of technology concentration. The program of NIST's Building and Fire Research Laboratory, for example, is guided by a prioritized research agenda developed by volunteer experts from the building and fire communities under the auspices of the National Institute of Building Sciences. NIST personnel also participate actively in industry-organized technology-planning exercises. Recent examples include the Semiconductor Industry Association's initiative to develop a comprehensive technology road map and the 21st Century Manufacturing Enterprise Strategy Project.⁷

The laboratories also solicit industry input through formal surveys and through reviews of NIST-prepared planning documents and needs assessments. In early 1993, the Electronics and Electrical Engineering Laboratory issued a definitive assessment of measurement needs in nine fields of electronics technology. Developed in consultation with industry, the 448-page document, *Measurements for Competitiveness*, identifies high-impact measurement capabilities that are widely needed by the U.S. electronics industry but are beyond the resources of individual companies to develop.⁸ It serves as explicit guidance for setting the laboratory's priorities.

Other means of assessing industry's infrastructural technology needs include:

- ◆ visits to companies;
- ◆ participation on more than 800 national and international standards committees;
- ◆ measurement "round robins," which provide a comparative basis for assessing the current state of measurement practices employed by industry and for identifying key technical problems;
- ◆ joint demonstrations and experiments to identify problems and requirements for supporting technology;
- ◆ regular researcher-to-researcher interactions; and
- ◆ participation in consortia, including the 13 cooperative arrangements organized by NIST and those organized by other groups, such as PDES Inc. and the Semiconductor Research Corp.

NIST has found it necessary to use this complete set of tools to determine industrial needs. Workshops, conferences, and surveys provide valuable information on an industry, but this information usually is not complete or specific enough to be the sole basis for program planning. In turn, company visits,

participation on standards committees, "round robins," researcher-to-researcher interactions, and participation in consortia offer insight into specific company needs, and they afford the additional advantage of directly involving NIST researchers, who provide their peers from industry with a direct link to the agency's programs and projects. Thus, combining information that is specific to firms and information that can be generalized to an industry or even groups of industries is necessary to develop a balanced view of challenges facing the private sector and of the relative importance of each challenge. To assure that the proper balance has been reached, NIST publishes its planning documents for review by outside panels and by industry.

This planning process is continuous, involves most of NIST's professional staff, and provides a wealth of useful information. In developing a new program in magnetic engineering, for example, staff of the Chemical Science and Technology Laboratory solicited the views of experts at more than 50 companies and universities to identify the critical technical obstacles perceived as impeding the development and application of new thin-film magnetic materials.

Another example demonstrates how this approach is used in planning consortia. In 1991, members of the Materials Science and Engineering Laboratory visited aerospace industry companies to acquire first-hand information on problems encountered in the precision casting of metal alloys. Analysis of this information guided planning for a meeting, co-sponsored by the Aerospace Industries Association, to explore the merits of forming a consortium to improve the precision casting process. A subsequent meeting, attended by industry, university, and government representatives, resulted in a detailed technical research plan addressing issues in key processing areas and defining deliverables in forms usable by industry. Subsequently refined, that plan is now being carried out by a NIST-led consortium involving seven manufacturers, seven universities, and three federal laboratories. The effort is a distributed, cooperative undertaking, with NIST and other members performing in-house research to accomplish agreed-upon tasks that will contribute to accomplishing the consortium's four major objectives.

NIST's iterative approach to planning and priority setting enables it to respond quickly to new developments and opportunities. A clear picture of industry's needs also helps laboratory managers to determine when it is appropriate to terminate programs and reallocate scarce resources to address new, higher priority problems that have emerged. For instance, the Physics Laboratory terminated a project to provide reaction-rate data for fusion reactors and reassigned the technical staff to work on plasma-processing issues relevant to semiconductor manufacturing, which led to a productive collaboration with SEMATECH.

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Short- to Medium-Term Measures of Performance

NIST laboratories use a variety of measures to track and evaluate performance, including the value and utility of research deliverables and services. Customer feedback, gathered through a variety of mechanisms, is the laboratories' principal source of evaluative information.

Although each laboratory has its own procedures for monitoring performance and technical progress—and not all of the laboratories use every available tool—all set goals for individual projects, determined on the basis of perceived customer needs identified during planning and priority setting. Technical milestones are established for individual projects, and progress is evaluated internally on at least a quarterly basis. Customer feedback also is analyzed during project, group, division, and laboratory reviews, not only to assess performance and rates of technical progress but also to identify changes in customer needs that may warrant redirecting laboratory resources. Besides their own internal reviews and those conducted by NIST management, all laboratories undergo annual assessments by external panels convened by the National Research Council. These assessment panels produce written evaluations of performance, missions, and short- and long-term goals—for the laboratory overall and for each division.

NIST gathers information on its primary “products”—measurements, standards, databases, process models, and the other types of deliverables produced by its laboratory program. These deliverables usually take the form of technical information that NIST makes widely available to U.S. industry. Measures of the relevance and value of this information to industry include:

- ◆ industry attendance, comments, and level of participation at technical workshops;
- ◆ number of inquiries and requests for information;
- ◆ attendance at technical training sessions provided by NIST personnel;
- ◆ commercialization of products incorporating the results of NIST R&D; and
- ◆ application of NIST R&D results to industrial processes.

For federal laboratories, a widely—and, perhaps, overly—reported process metric is the number of cooperative R&D agreements (CRADAs) that laboratories have entered into with U.S. businesses. Because NIST has been working with industry for more than 90 years, the agency was quick to embrace CRADAs as an additional tool for working with industry. Across the federal government, NIST has the highest ratio of CRADAs per number of technical staff and, by far, the shortest average time for processing agreements. According to *Science* magazine, “Only

Customer feedback, gathered through a variety of mechanisms, is the laboratories' principal source of evaluative information.

the National Institute of Standards and Technology, created to work with the private sector, appears to be doing what Congress intended. ...[O]nly NIST appears to have managed to embrace CRADAs without getting smothered."⁹

CRADA tallies, however, are an incomplete measure of performance—just as the numbers of patents received and licenses issued do not capture a technology organization's full technical output and level of innovation. CRADAs represent but one mechanism for working with and addressing the technology needs of U.S. industry—effective for accomplishing some technical objectives, but inappropriate for others. In fact, most forms of NIST-provided technical assistance are non-proprietary (used by many firms) and are best accomplished without the formality of a legal contract.

Other measures and information used to assess industrial relevance, performance, and productivity of laboratory activities include:

- ◆ level of industry commitment to NIST projects and consortia (e.g., number of participating companies, number of visiting researchers assigned to NIST, value of resources committed);
- ◆ number of guest researchers from industry;
- ◆ extent of NIST's contributions to industry's voluntary standards (e.g., number of standards incorporating NIST's work, number of memberships on standards committees);
- ◆ number of joint industry-NIST "round-robins"; and
- ◆ number of repeat customers.

Measures of Long-Term Impact

In the early 1980s, NIST initiated a series of periodic assessments of the economic impacts of NIST research.¹⁰⁻¹³ Conducted by independent researchers under contract to NIST, these third-party assessments have estimated the aggregate rates of return (also referred to as social rates of return) on work addressing infrastructural technology needs of industry. Returns on NIST work in the six technology areas evaluated thus far range from 63 percent to 423 percent, greatly exceeding the average rate of return on private-sector innovations and the rates reported in the few studies of other government research programs. To economists, this disparity implies underinvestment in R&D aimed at developing measurement methods and other infrastructural technologies.

An example is NIST's work supporting the U.S. optical fiber industry.¹¹ NIST-developed measurement technologies served as the basis for more than 20 industry standards that have helped reduce market transaction costs arising from disagreements between optical fiber manufacturers and their customers. The standards established a solid basis for evaluating the technical performance of

Third-party assessments have estimated the aggregate rates of return on work addressing infrastructural technology needs of industry.

NIST also is placing increased emphasis on tracking how companies and industries use specific services and the results of specific R&D projects.

fibers. The social rate of return was estimated to exceed 400 percent, and one manufacturer has credited the standards with significantly expanding the size of the market for optical fibers.

In addition to the series of case studies of economic impact, which is continuing, NIST also is placing increased emphasis on tracking how companies and industries use specific services and the results of specific R&D projects. For example, the Visiting Committee on Advanced Technology studied the commercialization of NIST innovations that have won "R&D 100 Awards" in the annual competition sponsored by *Research and Development* magazine. Between 1973 and 1990, NIST won 71 R&D 100 Awards; about three-fifths of the innovations (41) achieved commercial impact.¹⁴ NIST also has begun to prepare a series of brief "industrial impact statements" that are intended to capture the nature of the laboratories' assistance to companies or industrial sectors, including resulting improvements in products or services, processes, and market performance, as well as jobs created.

MANUFACTURING EXTENSION PARTNERSHIP

The Manufacturing Extension Partnership, or MEP, is a growing nationwide network of manufacturing extension services that provides small and medium-sized U.S. manufacturers with technical assistance as these firms modernize their operations to increase their competitiveness. Comprising the core of the nation's manufacturing base, the more than 370,000 U.S. manufacturing establishments that employ fewer than 500 people often are, as characterized in a recent National Research Council study, "operating below their potential. Their use of modern manufacturing equipment, methodologies, and management practices is inadequate to ensure that American manufacturing will be globally competitive."¹⁵

A variety of obstacles hinder small and medium-sized manufacturers' modernization efforts. Those that impede the adoption of appropriate modern technology and organizational methods include lack of resources and in-house technical expertise, limited awareness of changing manufacturing technology and its applications, and difficulty in locating unbiased sources of information and technical assistance. Viewed from a national perspective, currently available public and private sources of assistance—which range from large companies' supplier-improvement programs to small, local industrial outreach programs and private-sector consultants—are fragmented and vary greatly in breadth and depth of services. Collectively, they reach only a small fraction of small and medium-sized manufacturers whose existence is threatened by continued reliance on outdated technology, production techniques, and management practices.

By providing leadership and building a national framework for the *delivery* of manufacturing extension services, NIST's MEP will organize a comprehensive, yet locally responsive, system to help small and medium-sized manufacturers upgrade their equipment, techniques, and operations. From a base of seven regional Manufacturing Technology Centers (MTCs), established between 1989 and 1992, the MEP is planned to grow to over 100 extension centers by 1997. Linked by a coordinating national infrastructure, each center and each partner organization will be an entry point into an integrated network of technical resources, services, and expertise on topics ranging from computer-aided design and manufacturing to just-in-time inventory methods to workforce training.

The evolving MEP network has several components:

- ◆ regional MTCs, or MTC-like service providers, located in areas of high manufacturing density;

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Recipients of MEP funding are selected through merit-based competitions that assess how fully each candidate satisfies the criteria established for each component of the network.

- ◆ Manufacturing Outreach Centers, or MOCs, which serve areas of lower manufacturing density, either as free-standing entities or as MTC satellites;
- ◆ the State Technology Extension Program, or STEP, which provides funding and technical support for planning, implementation, and regional linkages to strengthen industrial extension efforts in the states; and
- ◆ "LINKS," which encompasses the national structure of communications, data systems, evaluation, field-agent training, tool development, and linkages with technology sources.

NIST's MEP staff have played a key role in the review and merit-based selection of winners of deployment awards made under President Clinton's Technology Reinvestment Project (TRP), which is managed by the Defense Department's Advanced Research Projects Agency. NIST is managing 42 of the 70 TRP deployment activities selected to date, and these activities will be incorporated into the manufacturing extension network. Recent TRP award winners include 22 new centers that will enable NIST to accelerate development of the MEP network.

Setting Priorities

Guiding Principles. The design and evolution of the national manufacturing extension network are guided by several basic principles that broadly define the MEP's priorities, operational and organizational philosophies, scope of services and activities, and strategic emphases.

First, all recipients of MEP funding are *selected through merit-based competitions* that assess how fully each candidate satisfies the criteria established for each component of the network.

Second, service providers in the MEP network *tailor assistance and technology solutions to the needs and constraints of client firms*, including budgets and workforce capabilities. The providers are client-driven, not provider-driven.

Third, extension centers and other components of the MEP network are *not supported to perform manufacturing R&D*, concentrating entirely on the diffusion of appropriate technologies to speed industrial modernization.

Fourth, the MEP is *inclusive*, and it *prevents duplication* of effort by emphasizing a network design that takes maximum advantage of the knowledge, experience, and expertise of a broad spectrum of existing organizations.

This principle yields two other, closely related characteristics that are key:

- ◆ The network is non-hierarchical. It builds on grassroots proposals motivated by and tailored to the needs of local industry and allows local

flexibility and innovation in addressing those needs, while providing the technical support and resources of a national infrastructure.

- ◆ The MEP does not compete with private technical consultants; it recognizes the important role that these consultants play in helping small and medium-sized manufacturers improve their operations. The NIST MTCs have developed constructive relationships with private consultants, who can help the centers extend their reach and broaden the range of technical assistance and expertise accessible through the MTCs. At the same time, in many cases, MTC activities help private consultants expand their reach by qualifying small manufacturers and helping them understand the value of consulting services. To ensure a clear understanding of this relationship and to avoid potential conflicts, MEP staff are now evaluating how private consultants serve small manufacturers and what role the MTCs play in that process.

Selection Criteria. Separate selection criteria have been developed for each MEP component, although there is substantial overlap because of shared objectives. All centers and projects are selected only after undergoing competitive review. The criteria used to evaluate proposals for new centers are representative:

- ◆ *Knowledge of target firms:* Comprehensive understanding of an area's manufacturing base, including business size, industry types, product mix, and technology requirements.
- ◆ *Technology resources:* Linkages to external sources of technology, including educational institutions, state and regional technology transfer programs, and federal laboratories.
- ◆ *Delivery mechanisms:* The staff, resources, and methodology for effectively delivering appropriate manufacturing technologies and techniques to local or regional manufacturers, as well as the ability to form effective partnerships with other organizations offering complementing services or resources.
- ◆ *Management and financial plan:* An effective management structure, full-time top management, additional sources of funds, and an effective system of internal evaluation.

Program Evaluation

In preparing for the MEP's expansion, staff members are developing a strategic plan that integrates the functions of each service-delivery component of the network and lays the methodological foundation for evaluating program performance and measuring results. A national, standardized system of data collection

MEP builds on grassroots proposals motivated by and tailored to the needs of local industry and allows local flexibility and innovation in addressing those needs, while providing the technical support and resources of a national infrastructure.

A national, standardized system of data collection and evaluation will enable MEP staff to assess the efficiency and effectiveness of the entire network.

and evaluation will enable MEP staff to assess the efficiency and effectiveness of the entire network, each network component, each type of extension service, and each service provider. The evaluation system will identify the services most valued by small and medium-sized manufacturers; characterize the types of firms and industries that make the greatest use of manufacturing extension services, as well as those that make the least use of services; prevent duplication of effort; and measure economic impact at levels ranging from individual services and centers to the MEP as a whole.

Measures of Organizational Performance. All MEP organizations are required to submit detailed quarterly and annual reports, standardized for each of the four components of the network, and they undergo annual performance reviews by MEP regional managers. At the end of the third year of operation, extension centers undergo rigorous evaluations by outside panels appointed by NIST.

Reported quarterly by each center, the following types of information help MEP management to evaluate overall performance of the MEP organizations and to assess market penetration (i.e., number of client firms relative to the size of the potential client base), the mix of services provided, the breadth and depth of organizational linkages, and the ability of the center to generate revenue to support operations:

- ◆ staff composition and percentage of employees working with clients in the field;
- ◆ number of establishments served, by size;
- ◆ ratio of the number of technical assistance projects proposed to client companies to the number initiated;
- ◆ number of activities initiated, by type of activity (e.g., formal assessment, technical assistance project, initial site visit, information referral), technical focus (e.g., control systems; plant layout; computer-aided design, manufacturing, or engineering), and size of firm;
- ◆ number of participants and number and types of firms represented at training programs and other events; and
- ◆ results of client valuation surveys.

Upon completing technical assistance projects, the centers ask client firms to assign values to the services provided. Clients estimate the impact that the just-concluded project will have on company performance over the next 12 months.

Specifically, firms are asked to estimate the anticipated impact of the project on sales, costs, capital spending, inventory levels, and jobs (number created or saved). Although subjective, these measures provide center management and personnel with the means to ascertain levels of customer satisfaction and to

differentiate among clients' perceptions of the type and magnitude of benefits attributable to center activities.

MEP management fully appreciates the importance of measuring performance, but it also recognizes the need for flexibility in reporting formats, particularly for pilot projects that are testing experimental services and service-delivery mechanisms. Overly rigid process and outcome measures could yield data that provide little meaningful information for evaluations of performance and impact and, at the same time, inhibit experimentation and innovation. Successful "LINKS" and extension enabling TRP projects, for example, may provide services that indirectly affect manufacturers but directly improve the quality and accessibility of information and services provided by extension centers. Measures of performance and results are being developed for these kinds of activities, with the recognition that what gets measured gets emphasized and that not all measures are equally significant for all types of activities and MEP components.

Measures of Economic Impact. In addition to evaluating the performance of each extension center, NIST also measures each center's specific impact on client companies. In contrast to the ATP and NIST's laboratory programs, the MEP is expected to generate economic benefits within a short time span. Indeed, MTC client firms reported substantial benefits, including cost savings, higher productivity, and increased earnings, within the first year of each center's operation.

Though necessarily small in scope because of the limited scale of manufacturing extension efforts undertaken thus far, the results of analyses—supplemented by case studies and other anecdotal evidence—illustrate the large potential for significant economic and company benefits.^{15–18} Cumulatively valued and based on self-reported data from MTC client firms, company-realized benefits from formal MTC technical assistance projects totaled an estimated \$320 million between 1989 and 1992, translating into a return of over \$7 on each federal dollar invested in the centers. This estimate undervalues the impact of some MTC services, such as seminars and information referrals. Many firms consider these "soft" services to be very beneficial, even though their impact is difficult to quantify.

For the network's individual extension centers, as well as for the MEP as a whole, the fundamental unit of analysis is and will continue to be individual firms. On an annual basis, the MTCs also administer questionnaires to ascertain the progress made by client firms. One year after the completion of a technical assistance project or other substantive interaction with a center, client firms are asked to assess their progress and business health by comparing information in key performance areas one year before and one year after projects have been completed.

The before-and-after assessment considers three levels of outcomes, which will be analyzed in relation to a "control" group.

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Base-level client outcomes serve as indicators of how successfully centers are assisting firms in adopting appropriate technologies and management practices.

Base-level client outcomes serve as indicators of how successfully centers are assisting firms in adopting appropriate technologies and management practices; making more use of capital, labor, and materials; and improving response time and other key aspects of manufacturing performance. These measures are:

- ◆ changes in scrap rate (value of scrap per sales—an indicator of quality and of efficiency of material use);
- ◆ changes in computer use (percent of employees using computers or programmable machine controllers at least weekly—an indicator of broadening applications of computers, the essential element of many new manufacturing and business technologies); and
- ◆ changes in inventory turns (ratio of sales to inventory—an indicator of increasing throughput, which may be the result of improved lay-out, scheduling, and routing).

Intermediate-level client outcomes are designed to reflect changes that stem from performance improvements at the base level of operations, although these changes may take longer to materialize. These include:

- ◆ changes in the ratio of sales per employee—an indicator of increased labor productivity; and
- ◆ changes in manufacturing lead time—an indicator of decreased response time to customer orders.

Top-level client outcomes reflect business and employment gains traceable, at least in part, to operational improvements captured by the previous categories of measures. Among the outcomes measured are:

- ◆ change in total sales,
- ◆ change in export sales,
- ◆ change in employment, and
- ◆ change in employee income (payroll per employee).

Although these objective outcome measures may not correspond directly to the extension services provided, they are easily tracked by client firms, and they have the virtue of being related, at least indirectly, to the substance and aims of most service activities. As they come on line, all MEP service providers will be required to submit client progress reports based on surveys to ascertain the performance of firms in the years before and after completion of an extension service activity.

The MTCs are currently collecting 1990 and 1992 data from firms that they assisted in 1991. Results of client progress surveys of 28 firms assisted by the Great Lakes MTC in 1991 are illustrative.¹⁶ For example, the firms reduced their

manufacturing lead times by an average of 22 percent and reported average increases of:

- ◆ 13 percent in sales,
- ◆ 47 percent in value of exports,
- ◆ 6 percent in employment,
- ◆ 17 percent in total payroll, and
- ◆ 46 percent in the use of computers or computer-controlled equipment by employees.

To increase the value of the data gathered in client progress surveys, the MEP is developing a nationwide benchmarking database on the performance of up to 1,000 plants to help companies better understand their competitive position in the marketplace. The database will build on a 300-client database developed by the Midwest MTC in Ann Arbor, Mich., which now contains performance data for five industries. This will enable the Midwest MTC to provide benchmarking service to client firms of other extension services. In addition, the expanded database will be a useful MEP management tool, enabling national-level comparisons of the performance of MEP clients with the performance of "control" firms that have not used extension services.

Because the MEP is promoting measurement and evaluation as powerful learning and management tools, it has asked the Modernization Forum, which draws its membership from the centers, to develop a guide on evaluation and associated training materials for use by project managers and manufacturing extension field agents. Training workshops are now being planned, with the first scheduled for February 1994.

Finally, the MEP will continue to sponsor third-party reviews of the extension network and its components to evaluate their effectiveness and to guide improvements in performance, including evaluation. It already has initiated several efforts to build a common understanding of process and outcome evaluation. For example, it has sponsored studies of evaluation issues and practices in industrial modernization programs, one conducted by the Georgia Institute of Technology and the other by Carnegie Mellon University. It also requested a National Research Council study of barriers and opportunities to improve the manufacturing performance of small and medium-sized manufacturers.¹⁵ Other steps taken to build a national framework for evaluation include the continuing development of taxonomies for classifying types of services, activities, and manufacturing problems and practices as well as efforts to form a national network of evaluators comprising federal, state, local, and academic experts.

The MEP is promoting measurement and evaluation as powerful learning and management tools.

MALCOLM BALDRIGE NATIONAL QUALITY AWARD PROGRAM

**The award is having
a major effect in
encouraging large
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to adopt quality
improvement strategies.**

Government-private sector partnerships are essential as the United States responds to economic challenges. The NIST-managed Malcolm Baldrige National Quality Award program demonstrates just how effective such partnerships can be. Industry pledged more than \$10 million to support the program when it was launched, and NIST coordinates the more than 90 percent of program activities that are undertaken by the private sector.

Established to promote quality awareness, to recognize quality achievements of U.S. companies, and to publicize successful quality strategies, the award is having a major effect in encouraging large numbers of U.S. companies to adopt quality improvement strategies—whether or not they ever decide to compete for the award. These corporate strategies are improving the ability of U.S. companies to compete in a more important and larger contest: winning in the global marketplace.

The program recognizes quality management excellence in three categories: manufacturing, service, and small businesses. Up to two awards can be made in each category. In the six years the award has been given, the number of winners has ranged between two and five.

Although the major focus of the award is on results and customer satisfaction, it is not given for specific products or services. To win the award, a company must have a world-class system for managing its processes and its people. The system should ensure continuous improvement. The assessment of individual companies' performance rests with an independent group of quality experts, selected almost entirely from the private sector. The assessment process itself is an iterative one, involving several reviews for each applicant and providing comprehensive feedback to every company that applies.

Setting Priorities

The award's enabling legislation made it clear that the program was to extend beyond the selection of individual companies for recognition; it was expected to raise awareness and to provide information and incentives for U.S. industry to become more competitive in the global marketplace by incorporating proven quality management strategies.

The primary customers for this program were clearly identified as U.S. firms, and NIST's priorities for this program have been designed to ensure that all U.S. companies were targets for involvement and information. Accordingly, NIST has made major efforts to reach out to two categories of companies that seemed to be under-represented in the early years of the award program: service sector and smaller companies.

NIST's first priority was to create a program that was credible to quality experts and business leaders and that built up a new private-sector network to do the bulk of the work in reviewing applications. The program also needed to be financially viable, relying primarily on private-sector contributions of time and funds. NIST also assigned high priority to expanding that private-sector network to involve trade and professional associations and state and local organizations to extend the reach of the Baldrige Award criteria and the impact of lessons learned by companies using quality management techniques.

Now that the award has become established and well known in the business community, NIST is beginning to expand the program into two areas of national importance: health care and education. NIST expects to scale up these initial efforts and to create separate awards in these categories if pilot programs launched in 1995 are successful and develop strong involvement and support.

In developing criteria for the Baldrige Award, NIST consulted extensively with private-sector quality experts formally through workshops and informally through many meetings and presentations. The criteria are refined after annual improvement meetings involving award judges, examiners, and others from the private sector. For example, the 1994 criteria reflect a much greater emphasis on corporate responsibility and citizenship and on customer-oriented quality results than the criteria used in the initial years of the program. At this same annual meeting, the private-sector examiners also review the application and selection process. Continuous improvement is the aim of these regular reviews of the criteria, much as it is a goal of the entire award program.

Program Evaluation

Just as award applicants are required to measure and show results for their quality management strategies, the award program relies on a variety of tools to evaluate program effectiveness and to measure results.

A formal advisory committee to the Secretary of Commerce reviews the program's progress. This prestigious group of national quality experts from business and academia provides an annual report to NIST and to the Secretary. Other annual reviews are provided to NIST by the Panel of Judges (which makes final recommendations on proposed winners to the NIST Director) and the Foundation for the Malcolm Baldrige National Quality Award—which has a direct interest in en-

Now that the award has become established and well known in the business community, NIST is beginning to expand the program into two areas of national importance: health care and education.

sureing that NIST manages the program to make the best possible use of the funds provided by the foundation. Moreover, the House Committee on Science, Space and Technology, which introduced the legislation establishing the award, conducts an annual oversight hearing involving winners of the award, NIST, and outside experts to review the program's effectiveness and management issues.

As part of its formal evaluation process, the Panel of Judges has surveyed a sample of quality award applicants to determine their satisfaction and to gain insights into problems that they may have encountered. The NIST Office of Quality Programs reviews the information gathered through these two mechanisms and sets specific goals and actions for improvement. For example, the survey of applicants indicated a desire for more rapid feedback from the examiners on the strengths and areas for improvement in the companies' quality management efforts; after making changes in the evaluation process and a major effort, the turnaround time for feedback reports was reduced substantially from the 1991 competition to the recently completed 1993 cycle. Feedback quality also improved during this period.

Generating greater public awareness of quality management strategies and the opportunity for improvement is a major aim of the award program, and winners of the award are asked to provide detailed feedback to NIST on the conduct of the public information portions of the program. Meetings and surveys are conducted each year, providing information that is used to revise and guide the program's information and outreach efforts.

In addition, meetings are held with past winners to review the award program's overall impact and effectiveness and to solicit ideas for changes. For example, in July of 1993, top-ranking quality officials representing 14 of the 17 companies that had won to date met at NIST to provide that feedback.

One especially useful indicator of the program's success is the level of companies' interest in the award criteria. More than 1 million copies of the criteria, which serve as quality improvement guidelines, have been requested and distributed. They are reproduced and used widely by companies and other organizations to drive quality improvement in all sectors of the economy. They serve as the basis for approximately 30 separate state and local level awards for quality, and they now are used as the model for awards in Mexico, Europe, and elsewhere around the globe. Another indicator of interest: more than 20,000 presentations have been made on quality improvement through the Baldrige Award approach—the vast majority by award winners or examiners from the private sector.

Ultimately, the program's effectiveness must be evaluated by the impact on companies' performance. Quality management is just one of numerous factors that determine a company's financial performance, and quality improvement alone is no guarantee of financial success. Still, many companies assert that their adop-

The Baldrige criteria serve as the basis for approximately 30 separate state and local level awards for quality.

tion of quality management practices based on the Baldrige criteria have placed them in a better financial and competitive position.

Some measures of the program's bottom-line effectiveness to date:

- ◆ A 1991 report from the General Accounting Office calls the Malcolm Baldrige National Quality Award criteria "the most widely used accepted formal definition of what constitutes a total quality management company."¹⁹ On the basis of a survey of firms using the criteria, the report concludes that "In nearly all cases, companies that used total quality management practices achieved better employee relations, higher productivity, greater customer satisfaction, increased market share, and improved profitability."
- ◆ Solecron Corp., a 1991 award winner, noted, "Since we applied for the Malcolm Baldrige award in 1989, Solecron's sales have increased 316 percent and profit has increased 338 percent in 3 years. ... We attribute our financial performance a great deal to the improvement we made through the rigorous examination and feedback from the Baldrige application process."
- ◆ According to a *Business Week* analysis, the three publicly traded, whole company Baldrige winners outperformed the Standard & Poor's 500 from the time they won the award through September 30, 1993, by 8.6 to 1.
- ◆ AT&T's Transmission Systems Business Unit reduced time to market by 50 percent in three years.
- ◆ Zytec's internal manufacturing process yields improved fivefold from 1988 to 1992, with on-time delivery up from 75 percent to 98 percent from 1989 to 1992.
- ◆ Motorola Inc. considers the criteria for the Baldrige Award so important that it has given its suppliers until 1994 to follow the award criteria or risk losing Motorola as a customer for their products.

The overall impact of the program was described in an article in the *Harvard Business Review*:

In just four years, the Malcolm Baldrige National Quality Award has become the most important catalyst for transforming American business. More than any other initiative, public or private, it has reshaped managers' thinking and behavior. The Baldrige Award not only codifies the principles of quality management in clear and accessible language. It also goes further: it provides companies with a comprehensive framework for assessing their progress toward the new paradigm of management and such commonly acknowledged goals as customer satisfaction and increased employee involvement.²⁰

"In just four years, the Malcolm Baldrige National Quality Award has become the most important catalyst for transforming American business."

Comments on this paper are encouraged.

SUMMARY

In the midst of a new imperative to more effectively link government and industry in tackling technology challenges, NIST recognizes the importance of clearly spelling out how the agency sets priorities, evaluates performance, and measures economic impact. This paper provides a snapshot of those processes today for each of the Institute's four major programs. NIST seeks continuous improvement—to build upon the mechanisms already in place, to learn from others, and to more vigorously and comprehensively apply the best of the best evaluation and measurement tools. Always, the end goal must be to maximize the Institute's work with industry to promote technology for economic growth. Comments on this paper are encouraged.

Comments on this paper should be directed to:

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Dr. PRABHAKAR. This is our attempt to explain where we are, and we would welcome comments and feedback. We have gotten a lot of positive response from the industry on this.

The final part of our management strategy has been to look internally at our staff and focus on a strategy to scale up with minimum staff growth and minimum bureaucratic overhead. Most of the growth in our programs is for the Advanced Technology Program, Manufacturing Extension, the Baldrige award, efforts that are making things happen out in the technical community, and in the case of ATP, putting dollars out into companies.

In the case of Manufacturing Extension, we are putting dollars out into the extension centers, typically not-for-profits throughout the country. Therefore, we need very few staff members to run those kinds of programs. ATP and Manufacturing Extension will have a combined total staff of fewer than 100 people in 1995. The Baldrige award, similarly, has fewer than 30 people.

NIST's largest number of employees is in our laboratories. Today we have about 3,200 employees. As we scale up our programs in the laboratories and strengthen them, we are working on a strategy that minimizes staff growth.

With the \$90 million increase in fiscal year 1995, we anticipate only a 5 percent staff increase. The reason we are going to be able to do that is we have many staff members who are working for other agencies. As those funds decline and they are able to work on direct appropriated dollars, they will be able to respond much more directly to industries' needs, which is really what this is all about.

Finally, we are also beginning to work much more aggressively with the rest of the technology community trying to leverage work in universities and other Federal laboratories and coordinate our programs with other agencies, and I think that is going to be a critical part of our management strategy, as well.

Let me just summarize by saying again that we realize what a significant request this is, particularly in a year like this budget year. It is an unprecedented request for NIST. But I think that the need and the opportunity for civilian technology programs at the moment is also unprecedented.

The President and the Secretary have indicated a very strong commitment to making these programs happen. The industry is ready to go, and I believe NIST has the proven approaches and the management and methodology in place. I will be happy to answer questions, along with Dr. Good.

[The biographical sketch and prepared statement of Dr. Prabhakar follow:]

Arati Prabhakar

Director, National Institute of Standards and Technology

Dr. Prabhakar, appointed tenth NIST Director by President Clinton, took office May 28, 1993. An agency of the Commerce Department's Technology Administration, NIST promotes U.S. economic growth by working with industry to develop and apply technology, measurements, and standards. As NIST Director, Dr. Prabhakar oversees a staff of approximately 3,200 and a budget of \$600 million. She manages a portfolio of programs that partner with industry in the pursuit of technology for economic growth. NIST's major programs are:

- a competitive Advanced Technology Program that provides cost-shared grants to industry for development of high-risk technologies with significant commercial potential;
- a grassroots Manufacturing Extension Partnership designed to help small and medium-sized companies adopt new technologies;
- laboratory research and services focused on "infrastructural technologies," such as measurements, standards, evaluated data, and test methods; and
- a quality outreach program that includes management of the Malcolm Baldrige National Quality Award.

Previously, Dr. Prabhakar served for two years as Director of the Microelectronics Technology Office in the Defense Department's Advanced Research Projects Agency (ARPA), where she had managed advanced electronics research since 1986. She created the Microelectronics Technology Office to drive research, development, and demonstration of advanced microelectronics technologies critical to national security, with an emphasis on dual-use technologies. As Director of the office, she managed an annual budget of \$300 million and contracts and collaborations with hundreds of organizations, including large electronics manufacturers, traditional defense contractors, small and medium-sized technology firms, universities, and other laboratories. Dr. Prabhakar had strategic responsibility for programs in semiconductor manufacturing technology, including SEMATECH and advanced lithography. The overall manufacturing programs were designed to stimulate and challenge the U.S. semiconductor industry to achieve cost-effective flexible manufacturing capability for high-value-added, differentiated products. Other areas of technology for which she was responsible included next-generation devices in optoelectronics, nanoelectronics, and neural networks as well as flexible manufacturing for infrared focal plane arrays.

From 1984 to 1986, Dr. Prabhakar served as a Congressional Fellow in the Office of Technology Assessment of the U.S. Congress where she wrote on microelectronics research and development for the House Science, Research and Technology Subcommittee.

Dr. Prabhakar is a member of Eta Kappa Nu, Tau Beta Pi, and the American Physical Society, as well as a senior member of the Institute of Electrical and Electronics Engineers. She received a fellowship from the Bell Laboratories Graduate Research Program for Women.

Dr. Prabhakar was born in New Delhi, India. She received her B.S. in Electrical Engineering from Texas Tech University (1979), and her M.S. in Electrical Engineering (1980) and Ph.D. in Applied Physics (1984) from the California Institute of Technology.

U.S. DEPARTMENT OF COMMERCE

— STATEMENT OF ARATI PRABHAKAR

DIRECTOR

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON
COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES

MARCH 10, 1994

Mr. Chairman and Members of the Subcommittee, I welcome the opportunity to discuss the President's fiscal year 1995 budget request for the National Institute of Standards and Technology.

This year, the President is requesting \$935 million in three separate appropriations. This amount is an increase of \$414.8 million over the FY 1994 appropriations of \$520.2 million. We are requesting \$519 million for technology development and technology transfer and outreach; \$316 million for our laboratory research and services; and \$100 million for facilities construction and renovation.

At a time when many Federal agency budgets are being cut back, NIST's budget is proposed for dramatic increases -- and we are prepared to put this national investment to best use in promoting U.S. economic growth. Let me put the President's proposal in context.

The Federal government now supports about half of all of the research and development conducted by the United States, but only a relatively small proportion of that support is directly aimed at benefitting U.S. industrial competitiveness. Global technology and market changes are demanding shifts in that federal R&D mix.

President Clinton has spelled out a clear approach for making those changes, more vigorously supporting civilian technology in our post-Cold War era. Commerce Secretary Brown has helped to guide that strategy, making technology one of the department's top priorities and attracting extraordinary industry involvement and support. That speaks volumes about how both government and industry now jointly view government technology activities.

Building on the initiative first provided by Congress, NIST is now playing a much more important role in the government's technology strategies. While the NIST component of the Federal R&D budget traditionally has been a very small fraction of the total investment -- less than one percent -- this year we have been singled out for the largest percentage growth of any technology agency.

As government increases direct investment in civilian technology, government technology activities still must complement and support -- rather than substitute for -- the private sector's R&D activities. At NIST, we are guided by, and are well positioned to meet, that requirement. That is because NIST's mission is straightforward -- and unique. As part of the Commerce Department's Technology Administration, NIST aims to promote U.S. economic growth by working with industry to develop and apply technology, measurements and standards. We do that through four major programs that make up a portfolio of technology-based tools:

- o a competitive Advanced Technology Program providing cost-shared awards to industry to develop high-risk technologies that can enable significant commercial advances;
- o a grassroots Manufacturing Extension Partnership helping small and medium-sized companies to adopt new technologies;
- o a strong laboratory effort planned and implemented in cooperation with industry and focused on infrastructural technologies, such as measurements, standards, evaluated data, and test methods; and
- o a far-reaching quality improvement program associated with the Malcolm Baldrige National Quality Award.

Let me briefly describe our FY 1995 requests for each of these programs.

Advanced Technology Program

The Advanced Technology Program, or ATP, aims to accelerate commercial technology development. The ATP provides cost-shared funding to individual companies and industry-led joint ventures to develop the high-risk, high-payoff technologies that can enable significant commercial progress. The program seeks to build bridges between basic research and product development. It is designed to help companies to better exploit new scientific knowledge that demonstrates technical feasibility and removes technical barriers to commercialization. Just a few years after receiving the first awards in 1991, ATP-funded projects are beginning to yield the technical and business results that promise large payoffs for U.S. companies and our economy.

Increased funding in FY 1994 has allowed the ATP program to double to 120 the number of awards expected to be made, and to establish focused programs in which proposals are sought in specific, well-defined program areas.

Through a series of public meetings with industry, we found widespread support for the idea that focused program competitions can help maximize the ATP's leverage by driving key strategic technology areas. Between October and December 1993, the U.S. technical community demonstrated this potential by submitting more than 450 ideas for focused ATP program areas.

The FY 1995 request of \$451 million (an increase of \$250.8 million) for the ATP would put the program more than halfway toward President Clinton's goal of \$750 million in ATP funding by 1997 -- a level at which it will be a powerful national program that makes a meaningful difference to our industries rather than being just an effective pilot program that has helped a limited number of companies.

The FY 1995 increase will allow the ATP to support a total of about 10 focused program and general award competitions resulting in about 200 new awards. It also will provide sufficient funds to continue to support all active multiyear projects begun in FY 1994 and earlier. By the end of FY 1995, the ATP would be funding 350 active projects.

Manufacturing Extension Partnership

NIST's Manufacturing Extension Partnership, or MEP, is a true grassroots effort to improve the competitiveness of small and medium-sized U.S. manufacturers. There are more than 370,000 manufacturers in the United States with fewer than 500 employees; they account for about 95 percent of all U.S. manufacturers and more than 75 percent of new manufacturing jobs. These companies have a major impact on their local economies -- and on our national well-being. But to compete successfully, many of these companies need to upgrade their use of manufacturing technology, and to incorporate world-class manufacturing practices. These smaller firms often do not have the technical resources to identify, to prioritize, and to put in place many of the manufacturing improvements they need in order to survive and thrive. That is where the MEP can make a difference.

The MEP helps these companies to adopt new technologies through manufacturing technology centers, smaller manufacturing outreach centers, the State Technology Extension Program, and linking/networking technologies and programs that interconnect MEP participants into a nationwide system. That includes critical links to outreach and technical assistance programs managed by other Federal agencies -- including the Departments of Energy and Labor as well as the Environmental Protection Agency, the Small Business Administration, and others. Client firms of NIST's first seven centers reported \$320 million in benefits between 1989 and 1993 -- a return of \$7 for each federal dollar invested in the centers. A truly national network can have enormous impact.

The geographic reach of the MEP is expanding significantly in FY 1994 with the establishment of additional extension centers managed by NIST with funding from the Defense Department's Technology Reinvestment Project, led by the Advanced Research Projects Agency.

The FY 1995 request of \$61 million (an increase of \$30.7 million) is a vital step in building a full-scale manufacturing extension service. It brings the MEP more than halfway toward the President's goal of 100 centers by 1997.

The increased FY 1995 funding combined with remaining TRP funding will bring the total number of Manufacturing Technology Centers under NIST management to about 20, and the total number of Manufacturing Outreach Centers, which are smaller extension centers, under NIST management to about 50. It will substantially increase the availability of funding through the State Technology Extension Program to states that are starting work to improve or establish manufacturing extension programs. The increase will provide improved interconnections with other extension services provided through other Federal agencies, and it will further the linking systems needed to form a national MEP network for communications, data sharing, identification of training resources, and intensive evaluation efforts.

Laboratory Programs

Our laboratory programs have long been recognized for their practical assistance to industry and their focus on infrastructural technologies that support our economy. The benefits from such enabling technologies typically spread across entire industries, and the investments needed to produce them cannot be recovered by individual companies. But there is a pent-up demand by industry for NIST research, measurement technologies, and services. While NIST has had several decades of flat or eroding budgets, entire new industries -- biotechnology and computer networking, for example -- have emerged, and the technical needs of established industries also have increased. We need these increases to fill the widening gap in our national measurement infrastructure. NIST is the only part of our Nation's technology enterprise that has this measurement mission and capabilities.

In FY 1995, we are requesting \$316 million (an increase of \$88 million) to accelerate NIST laboratory work in five key technical areas and to open and expand foreign markets for U.S. technology. Building on smaller increases provided in FY 1994, full funding of these initiatives will bring NIST more than half-way toward the President's goal of doubling the NIST laboratory budget between FY 1993 and FY 1997. I urge you not to overlook this less glamorous portion of NIST's budget request. Our laboratory-based efforts provide the "nuts and bolts" research and services that can and do make the difference between technological promise and practical commercial products and services.

FY 1995 initiatives will support technology for the national information infrastructure; advanced materials and processing; advanced manufacturing; biotechnology; postdoctoral fellowships; environmental technologies; and international trade, standardization, and measurement services. Our specific requested increases include:

- o National Information Infrastructure: \$38.3 million to accelerate the commercialization of new information technologies by enabling NIST to expand its R&D program in areas related to high-performance computing, high-speed networking for manufacturing applications, and semiconductor manufacturing.
- o Advanced Materials and Processing: \$16.8 million to better understand and control materials so that industry can bridge the gap between technologies and processes that work in the laboratory to use in commercial, full-scale production system; this request also will enable NIST to better integrate advanced materials with design and manufacturing requirements.
- o Advanced Manufacturing: \$18 million to expand NIST's assistance to U.S. industry in the areas of precision manufacturing, assembly and inspection; integrated tools for product and process engineering and design; and advanced manufacturing technology infrastructure.
- o Biotechnology: \$4.25 million to develop biotechnology modeling and the measurement and data tools need to accelerate commercialization of bioproducts through improved product design, process optimization, and quality assurance for novel food products, environmental applications, human therapeutics, and sensor technology.
- o Postdoctoral Fellowship Program: \$1 million to add 12 new National Research Council postdoctoral fellowships to parallel increases in the Institute's laboratory program and contribute to the quality of NIST industry-oriented lab research.
- o Environmental Technologies: \$4.95 million to advance the goals of sustainable development by expanding NIST research on reference materials, databases, and advanced measurement technologies needed to reduce pollution, conserve resources, and enhance international competitiveness.
- o International Trade Standardization and Measurement Services: \$4.7 million to establish coordinated and comprehensive measurement services, information, and standards programs to help open and expand foreign markets, increase exports, and enhance U.S. technology development and commercialization.

Facilities

The current replacement value of NIST's facilities is over \$2 billion. Most of these were constructed in the 60s and 70s. It already is impossible for the Institute to provide some U.S. manufacturers with essential services, such as state-of-the-art calibrations urgently needed to maintain production-line quality controls on a par with overseas competitors. Lab controls that were more than adequate when facilities were first constructed between 30 and 40 years ago are inadequate for the more sensitive work today. Power supplies are regularly interrupted by lack of system capacity and local weather, resulting in costly delays and rework.

The Administration and Congress have endorsed NIST's plan to upgrade its facilities through a \$540 million, 10-year effort. During the first 2 years, NIST was appropriated \$105 million for FY 1993 and \$62 million for FY 1994. The FY 1995 request of \$100 million is vital for NIST to continue the facilities improvement program and to carry out its mission as the nation's premier measurement technology laboratory.

Malcolm Baldrige National Quality Award Program

Quality goods and services are at the heart of any nation's prospects for success in the global marketplace, and the Malcolm Baldrige National Quality Award Program has been extraordinarily successful in helping U.S. industry to meet the quality challenge. Well over 1 million copies of the Malcolm Baldrige National Quality Award criteria have been distributed worldwide -- just one indicator of the program's reach in recognizing and promoting improvements in quality management by manufacturers, service companies, and small businesses. The award is having a dramatic effect, making a previously amorphous concept both concrete and achievable for thousands of U.S. companies. That has led to both improved customer satisfaction and profitability for these firms.

The FY 1995 request of \$6.9 million (an increase of \$4 million) would begin a pilot program to extend the benefits of the award program to the U.S. education and health care communities. Both of these important sectors of our economy increasingly realize that the principles of quality improvement being practiced by businesses can yield similar benefits for education and health care.

Pending a successful trial and full support from both sectors, NIST would recommend establishment of these two categories to the Secretary of Commerce in FY 1996. In FY 1994, we are testing criteria and trial examiner selections. NIST is also working closely with the Departments of Education and Health and Human Services on this effort.

Delivering Value to U.S. Industry

The President is asking Congress to make a much larger investment in NIST's civilian technology programs. We are confident that we can meet the challenge and help strengthen the U.S. economy. We recognize that our programs must be closely coupled to U.S. industry's goals and priorities -- and we have nearly a century of proven interactions with industry to build upon. We also have had terrific engagement with industry in our newer programs -- the Advanced Technology Program, Manufacturing Extension Partnership, and Malcolm Baldrige National Quality Award program. In each, we are beginning to see real impact.

Setting Priorities and Measuring Results

In building our programs to stimulate civilian technology for economic growth, we are charting a new course for Federal R&D. Two pivotal questions must guide our efforts. First, how do we set priorities for investing taxpayers's dollars? And second, once the investments are made, how do we assess their impact? The short answer is that NIST's priorities are set and results are measured on the basis of benefits realized by U.S. industry -- industry's needs drive our efforts. I would like to submit for the record a report we recently produced that answers those questions in more detail. It was prepared to promote discussion and invite constructive criticism from industry, academia, government agencies, and others. The response -- especially from industry -- has been very positive.

Scaling Up and Managing Growth

We also have addressed other critical management issues for each of NIST's four programs as we scale them up for national impact. Our strategy is to scale-up with minimum staff growth and bureaucratic overhead.

Both the ATP and MEP have been pilot tested and designed from inception to be national in scope. Because the funds in each program are for activities performed in the private sector, neither will require large increases in NIST personnel. For FY 1995, these programs will operate with a total staff of about 100.

NIST laboratories have been heavily dependent on funding from other government agencies. As direct appropriations increase, we will be able to better respond to industry needs for infrastructural technologies by reducing activities for other government agencies. That will enable NIST to better meet industry's priorities while increasing staff by only about 5 percent by FY 1995.

Our Baldrige Award program is a veteran of scale-up, moving from establishment in late 1987 to full operation the next year. NIST is readying pilot efforts that could lead to full-fledged award programs for the health care and education communities in 1996 -- once again, with little staff growth due to the heavy involvement of the private sector. This program will operate with fewer than 30 staff members in FY 1995.

A key factor in successfully scaling up will be our ability to closely coordinate and leverage our capabilities in the other technology-oriented Federal agencies. We have long-standing relationships with the Departments of Defense and Energy, NASA, and literally dozens of other agencies. In the past year, as other agencies have paid closer attention to how their resources can be brought to bear on our civilian technology base, and as the role of the Commerce Department, the Technology Administration and NIST has been strengthened, these interactions have intensified. We intend to build on this base of cooperation, and to work with other agencies whenever it will help us to fulfill our unique mission of strengthening U.S. industry and the economy through the development and application of technology, measurements and standards.

Conclusion

The size of NIST's requested budget increase for FY 1995 is unprecedented, especially at a time when Federal spending must be held tightly in check. But the magnitude of U.S. industry's technology challenge is also unprecedented, and the President is committed to investing more heavily in civilian technology. These investments must be designed to make a real difference for U.S. industry and for our economic strength. With a proven track record of success, and with explicit plans in place to scale-up and manage this growth, NIST's FY 1995 proposals can provide exactly the kind of support U.S. industry needs in a technology-driven global economy.

Mr. Chairman, this concludes my statement, I will be pleased to answer any questions that you may have.

Mr. SMITH. Well, I really appreciate your statements. We could never have done what we did in the 1950s if it had not been for the buildup in World War II.

President Roosevelt tried every way he could, Henry Wallace tried every way he could to explain to the American people that we had to build industry, give capacity to industry, and build consumer goods. And people resisted it.

Unfortunately in this country, we seem to be willing to have buildups in our capacity to produce if you are producing for war, but not if we are producing for consumer goods. Now, hopefully, this is an opportunity where we can turn it around.

On the other hand, there is resistance right here in Congress to making the moves now. I don't think we can hold back on it. Either we are going to do it or we are not going to do it.

Dr. GOOD. Mr. Chairman, you might use this printed circuit board as an example of that, because I just got through counting the U.S. parts versus the others.

Mr. SMITH. How many are there?

Dr. GOOD. It turns out we are doing better than we were three years ago. About half of the big chips are from Intel, but there are also chips here from China, Japan, and my guess is, unless I misread the labels, some from Korea. It is a very interesting board.

Mr. SMITH. Unfortunately, we don't have very many people who understand what you are talking about. And I agree with what you say—we have to leverage the money by working with universities.

I do want to put in one caveat here, though. I was on the subcommittee when we went for big increases in the National Institutes of Health. We went from \$73 million when Mr. Natcher and I went on that subcommittee in January of 1967 to \$11 billion this year. We shoved that money at them so fast, they couldn't get rid of it. So they built in a huge overhead, the universities. Reasonable overhead is okay, but not just to get rid of it. Because once you get it in there, then you just reduce the amount of research you can get out of it.

Dr. GOOD. For single companies, the ATP does not pay any overhead. We pay direct costs, but not overhead.

Mr. SMITH. I see. How many libraries do you have?

Dr. GOOD. 1,400 depository libraries in the country.

GLOBAL TECHNOLOGY STATUS

Mr. SMITH. You said you want to understand where we are compared to the rest of the world, compared to China, especially.

Dr. GOOD. Right.

Mr. SMITH. I don't quite understand where the capacity is in other agencies to find the answer to this. How do you find the answer to that?

Dr. GOOD. You do it two ways, Mr. Chairman. There is data, interestingly enough, which the Commerce Department collects a fair amount of, which has to do with products. That come into the United States. We know what they are making.

The issue is to take that kind of information and the trade information, and then——

Mr. SMITH. Do they have the information?

Dr. GOOD. Yes, they have some of the trade information. What we would like to do is to take that and some of the National Science Foundation information to fill that gap where the technology is; we will probably have to gather some of that ourselves.

Mr. SMITH. How do you gather it?

Dr. GOOD. You do it in several different ways. You can do it by looking at the literature.

Mr. SMITH. Chinese literature?

Dr. GOOD. Yes, and analyzing the literature. We would probably make one or two trips to specific science centers that we know of to get an idea of where the cutting edge is. We have information that they just opened a very high quality chip factory that has real potential for using some of the technology that they have acquired elsewhere, and we need to understand what they are doing.

We would like to gather that kind of information in the developing world and be able to let you know where it is, where the critical technology edges are, where they are very competitive, and where they are not.

To make the kinds of decisions that you all need to make, that is the kind of information you need. We believe we can put that together.

MANUFACTURING EXTENSION PARTNERSHIP

Mr. SMITH. I see. Now, you talked about 100 centers. Is there an average cost per center?

Dr. PRABHAKAR. The complete Manufacturing Extension Partnership will include some centers that are for regions of high manufacturing density where they are serving many thousands of manufacturing firms.

They will look like our original manufacturing technology centers, roughly. Those operate at about a total cost of \$6 million a year. I believe that half of that is from the Federal Government and then cost-shared for the other half.

We think probably 25 or so of the total 100 centers will look like that. The other 75 are designed for regions with lower manufacturing density or satellites to the larger centers, and they will serve a smaller population of companies. And those are average size I think about \$1 million per year in operation. So you will see a spectrum, depending on the needs.

Mr. SMITH. I know you take the applications wherever they are located that have the greatest potential for producing jobs and accomplishing our purpose.

But do you visualize that when you get 100 centers, they will be fairly well distributed?

Dr. PRABHAKAR. Absolutely. The goal is to try to—

Mr. SMITH. Not because you did it geographically.

Dr. GOOD. They won't be geographic. In fact, our goal is to have some easy access for all of America's small manufacturers, the 370,000 small and medium-sized manufacturers around the country, but how you reach them in Nevada is quite different from how you reach them in Cincinnati or something like that.

Mr. SMITH. You are not going to do it geographically? It will work itself out?

Dr. PRABHAKAR. Yes. Ultimately we do need to have complete geographic coverage, but the way we are getting there is the evaluation criteria for the proposals, focusing on serving the local region and then ultimately coordinating the whole thing into something that achieves the geographic coverage.

Dr. GOOD. The question came up this morning, about how to reach those. Most of these centers in the bigger networks are actually attached to what the States have already done.

We are not trying to reproduce what the States have done. We are cooperating with them so that where there is local support and there is also already some local activity, we are putting these centers in collaboration with them so that we can leverage all of that local and State support as well as what we are putting into them from the Federal government. This makes a big difference, both with access and how you get to them and who knows they are there, as well as leveraging the money fairly effectively.

Mr. SMITH. That is certainly important. Two things are important. One is, don't build in a lot of overhead and the other thing is leverage, so that we can get as much as we can through the Federal dollars.

I can see it coming down the pike right now. When you start talking about this kind of stuff, civilian goods, somebody will say, "Oh, you are going to interfere with the free enterprise system," or something, and they are not going to want to do it.

Mr. ROGERS?

Mr. ROGERS. Are these centers located in rural areas? What type of geographic area would a center serve?

Dr. PRABHAKAR. We have several different models for how these centers operate. Some of them really involve serving manufacturers within an hour's drive of the center. Others of them are using capabilities, for example, that community colleges or other institutions have already established, and are using that whole network to serve the wider community.

So again, I think it is really going to depend on what the local needs are, who the manufacturers are, where they are located, and how the institutions already in place help serve them.

Mr. ROGERS. How will the location of those centers be selected?

Dr. PRABHAKAR. The process that we have in place is one that was critical to get the quality that we needed—it is a competitive and merit-based process.

The evaluation criteria for proposals include the requirements of manufacturers in that region, the plan and the proposal for meeting those needs, how well thought out the approach to reaching those manufacturers is, how well they understand their needs and requirements, and what will make a difference to them.

It looks at the State or locally-funded activities that are already in place, and since our work is done on a cost-shared basis, that commitment to continue and build the activity at the State or local level is also important.

TECHNOLOGY REINVESTMENT PROJECT

Mr. ROGERS. Well now, some of these will be inherited from ARPA's Technology Reinvestment Project. Of the 100, how many

will be established by NIST and how many established through the TRP?

Dr. PRABHAKAR. We anticipate that about 40 of the centers that will be in operation at the end of fiscal year 1995 will be operated on TRP dollars, and we anticipate somewhat over 20 of the total in fiscal year 1995 will be operating on dollars directly appropriated to NIST.

The transition time will come in fiscal years 1996 and 1997. Those are the years in which our direct appropriations will need to carry on work that was initiated with TRP funds.

Mr. ROGERS. What is the difference between the two types of centers?

Dr. PRABHAKAR. They are actually very similar. I was actually at ARPA when TRP started, and when we got those funds, we sort of looked at them and said, "What is this manufacturing extension stuff, this deployment business?"

So what was structured was this interagency process that brought to bear the expertise from around the government to run the different parts of that program. Now that I am at NIST and can see it from the other side, I think that was just the right decision, because, in fact, Phil Nanzetta and his team in manufacturing extension at NIST had understood that job very thoroughly in a way that people in the technology development business really had not thought through.

The result of that was that the TRP selection process was structured very similar to manufacturing extension. The awards are made on substantially the same basis as those awards are now being made; you find that the people receiving the awards are being fully integrated into our one manufacturing extension partnership for the nation, and I think that has worked quite seamlessly.

FUNDING OF CENTERS

Mr. ROGERS. When will NIST assume funding of the centers now being funded by the TRP?

Dr. PRABHAKAR. Starting in fiscal year 1996 and continuing into 1997.

Mr. ROGERS. How many new centers is NIST requesting and how many are being planned by DOD in 1995?

Dr. PRABHAKAR. The TRP dollars in question are all fiscal year 1993 dollars. Of those, about \$125 million are currently being managed by NIST, and those have resulted in a group of awards, things that are just now getting announced.

There will be an additional number of TRP centers based on a new competition that is about to be run this year, and that is still using the old ARPA fiscal year 1993 resources. So that is the last year of TRP dollars. This competition will be the last new group of awards made under TRP resources.

ADVANCED TECHNOLOGY PROGRAM

Mr. ROGERS. Now, you are requesting a 125 percent increase for the ATP program this year. That is on top of 192 percent increase that we gave you last year. That is an incredible ramping up in two short years. Are we wasting money?

Dr. PRABHAKAR. I genuinely don't believe so, and the reason—
Mr. ROGERS. Can you spend that kind of money wisely?

Dr. PRABHAKAR. Before I left ARPA, I was running one of its 10 offices and its budget was \$300 million a year in an agency that is now close to about \$3 billion a year. So, while the ramp-up is large in percentage terms, we are still at a relatively small size for this kind of a technology activity. And on the national scale, I think it is now visible, but it is surely not of the scale of even those other existing programs.

This program was designed in its early days in the anticipation of growing into a national scale program. So a lot of the procedures and methodologies are already in place, and I think we have really focused on what it is going to take to do that job effectively so that every dollar makes a difference.

Mr. ROGERS. Somehow I knew that would be the answer to my question.

Dr. PRABHAKAR. I know you are not surprised, Mr. Rogers.

IMPACT OF BUDGET RESOLUTION

Mr. ROGERS. Now, the budget resolution that the House is considering even as we speak would recommend requiring cutting NIST's budget by \$125 million. Even with such a cut, you would still be getting a 190 percent increase.

What would be the impact on your program if you were given such a cut, and how would you take those cuts?

Dr. PRABHAKAR. I think our strategy would remain unchanged. What we are trying to do is strengthen the laboratory programs. We do need dollars to increase the laboratory base.

But for the Advanced Technology Program and manufacturing extension, we are really trying to create national scale programs from the pilot level. So I think it is appropriate to have that proportion of growth. That means that we do need to have the dramatic step up in ATP, but we will also need to make sure that we have some resources to continue the increase in the laboratory funds.

US/OTP STAFFING

Mr. ROGERS. Secretary Good, you are requesting an increase of 15 positions. How much of your \$5.6 million increase is for additional staffing?

Dr. GOOD. Gee, whiz. I will have to get my budget officer to tell you precisely what that is. Go ahead. We will get you that number.

Mr. ROGERS. All right. And I would like to know how that new staff would be used.

Dr. GOOD. Okay. We can do that.

Mr. ROGERS. What will be the impact on your programs if these increases are not allowed?

Dr. GOOD. The biggest impact would be on the programs in the Under Secretary's Office and the Office of Technology Policy. Let me speak to the Office of Technology Policy office first.

Most of the staff requests are for the Office of Technology Policy. The kinds of assessments that we were talking about are just really not possible. The budget we have today just will not allow you to do that.

So what would happen if we did not get a significant fraction of that is the kind of information that I consider to be really essential for understanding and responding to civilian technology issues today just wouldn't be there.

The personnel compensation is \$464,000, about a half million. The total personnel goes up to 63 people.

Let me make a comment about that. I have looked very carefully at that office since I have been there. My view is that that is not an office where you want to have unlimited growth. It is not a place where you want that kind of growth.

What we are looking for is a reasonable base, and after that, we are not asking for any increases. My view is that the office over the next three or four years ought to run somewhere in the \$15 million range.

Beyond that, it should not grow at all, other than whatever inflationary adjustments you have to make to keep it at that level. We need a reasonable staff that has a critical mass in the Office of Technology Policy, and we need a reasonable staff in the Under Secretary's office. Beyond that, that budget shouldn't go up.

The \$11.3 million increase will essentially let us do the projects that we just discussed. We are presently trying to get some of these things started; we are using some detailees from other agencies today.

That works for some of the things that we have to do. But to do the kind of assessment work we are talking about, the use of detailees who are only there for a short period of time is not what you are after. You need people who are going to be with you permanently and can have some history and understand where these things are going.

NTIS INCREASE

Mr. ROGERS. Let me ask you quickly before I yield here, about the \$18 million, the one-time request for capital improvements. Did you request that in your original request to OMB?

Dr. GOOD. That question has come up before, and part of the initiative to get that \$18 million in the budget did indeed come from OMB, primarily because of the reinvention of government documents and the success which FedWorld has had, and the fact that they are driving the whole information infrastructure in the Federal government to move to electronic databases rather than hard copy so that you can get information on a rational time frame and at a reasonable cost.

Also, there are many agencies around the government that were asking for increases to do similar things, and their issue was that it made more sense to make FedWorld work and put the equipment and software there, and then offer that as a gateway to other agencies to let the public get into other agencies' databases.

We are not going to take over anybody else's database. FedWorld would just let you get into their database and use their information.

DEPOSITORY LIBRARIES

Mr. ROGERS. Now, \$6 million of that would be used for grants to depository libraries to allow them to buy equipment to hook up to the information superhighway.

Dr. GOOD. That is correct.

Mr. ROGERS. Is that a one-time only program as well?

Dr. GOOD. Mr. Rogers, to be honest, whether that will be one time or not will depend a great deal on what the pressure is from the depository libraries.

Obviously that \$6 million will not support all of those 1,400 depository libraries, as you can appreciate.

Mr. ROGERS. How many libraries would that \$6 million cover?

Dr. GOOD. We think with \$6 million we would bring up to date about 100.

Mr. ROGERS. And how many are there?

Dr. GOOD. There are 1,400. You can ask the question, since we are in an electronic age, whether you really have to have 1,400, and I won't get into that discussion, because it is not my department.

Mr. ROGERS. Who selects those 100 libraries?

Dr. GOOD. Our thought on the 100 was the fact that, number one, with the \$6 million we can do that. Secondly, it would allow you to at least get some distribution.

Mr. ROGERS. I know. But who is going to decide which libraries?

Dr. GOOD. We are going to have some sort of competitive determination. We don't intend to just pass it out and make a decision. There is no point in giving it to people who really won't use it or manage it appropriately.

Mr. ROGERS. Couldn't some of these libraries compete for funds elsewhere to get the money to hook up to the system?

Dr. GOOD. I don't know. I simply can't answer that. I don't know what is available to those people today.

EXPANSION OF FEDWORLD

Mr. ROGERS. Finally, you are asking \$12 million then of the \$18 million to upgrade and expand the FedWorld.

Dr. GOOD. That is correct.

Mr. ROGERS. What would be the impact if an appropriation were not granted and you were forced to rely on your own revenues to fund those upgrades? How long would the project be delayed if they financed it with their own monies?

Dr. GOOD. I don't know if we can answer that precisely; my guess would be five or six years. We are a quasi government agency, as I like to put it, that has to make its own revenue. But at the same time, our customers expect to get information at a reasonable cost.

So we are limited as to the kinds of prices that we can charge for the information that we distribute. If you look at the kind of sinking fund that we could hope to put together, the possibility of doing that at \$1 million, \$2 million a year is probably the best that you could hope for.

So you are talking about trying to delay this kind of thing for four or five years.

Mr. ROGERS. I have other questions that I will submit for the record or later.

Dr. GOOD. Okay. I'll be happy to answer them.

Mr. ROGERS. I yield back.

NATIONAL TECHNOLOGY TRANSFER CENTER

Mr. MOLLOHAN [presiding]. Dr. Good, last year in the House appropriations report we put in language that would ask the Technology Administration, "To utilize to the greatest extent possible the National Technology Transfer Center as a resource in the development of technology policy, and in the development of a manufacturing extension program".

I guess we are all concerned about duplication and coordination of efforts. It is wonderful to see agencies get together on synergistic kind of things. I am wondering if you could give us an update on how that is progressing and what kind of cooperative activities you have undertaken.

Dr. GOOD. Right. It is progressing very well, in fact. The Technology Administration has a mandate to provide this State and Local Clearinghouse, for example. We are working directly with that group to get that done. We did not have the resources, to be honest, within our budget this year to get that done adequately. So we are working directly with them, because it involves the kind of information they already have.

We have also begun to work with them on what the technology transfer information database should look like, and how we ought to go about doing that.

As you know, they are doing a lot of work in technology transfer right now. They presently run a phone system, for all practical purposes, where you can phone in, and after they talk to you for a bit, they can tell you where in the laboratory to go to talk to people and so on.

We are discussing, with them and with NTIS, a collaboration between us and them, and how we could get a technology transfer database that is user-friendly and has real information in it as to what the technology is, who has it, what you know about it, how to get that up on some kind of an on-line system using their input for the database, because they have the capability and the people to put the database together, and how we put that up so it could be used by them.

So the interaction with that group is now very extensive because they have some resources which we think are in areas that we are both interested in. And we have a small task force that is headed by the Deputy Under Secretary who is working with them almost weekly these days.

Mr. MOLLOHAN. Where do you see this leading in terms of a future relationship?

Dr. GOOD. Their charge is really this whole business about technology transfer from the laboratories of the Federal government—how you transfer that technology and how you let the business community know where it is. What we see is a system where they would help—they would continue to get all of that information together. We would help them by putting up that database on FedWorld.

Mr. MOLLOHAN. So they would capture the information.

Dr. GOOD. And also take the data and create——

Mr. MOLLOHAN. Create a database.

Dr. GOOD. That is right. And a user-friendly, informationally rich database and retrieval system that allows you to get into it and find what you want.

Mr. MOLLOHAN. And you would imagine it being on line.

Dr. GOOD. Yes.

Mr. MOLLOHAN. To whom? Through what system?

Dr. GOOD. We think we could put it up through FedWorld without having to re-create all of the hardware and software that would be necessary for them to put that up, and you could come in off of your PC and go through InterNet.

Mr. MOLLOHAN. How does that get the manufacturing engine to the small shops?

Dr. GOOD. That is an excellent question. I will let Arati say a few words about what their plans are for connecting the manufacturing centers. But what we have to do somehow, and it will take a little time, is to get everyone involved. Even the smallest manufacturer is going to have to have at least PC capability to get into the networks. We simply cannot deliver hardware to absolutely everybody's doorstep.

Mr. MOLLOHAN. It would be silly to do it.

Dr. GOOD. That is exactly correct. So what the country has to do, and hopefully——

Mr. MOLLOHAN. But they have to be able to get it.

Dr. GOOD. They have to be able to get in on the network and take out the information they need.

Mr. MOLLOHAN. So how do they do that?

MANUFACTURING EXTENSION NETWORK

Ms. PRABHAKAR. Let me talk a little bit about what I see in the manufacturing extension part.

Mr. MOLLOHAN. It has to be fully integrated.

Dr. GOOD. Oh, sure.

Dr. PRABHAKAR. Well, a couple of issues. First of all, I think what is happening nationally is, in fact, an evolution of information technology that is finally getting information technology out to people that——

Mr. MOLLOHAN. Say that again, will you?

Dr. PRABHAKAR. What did I say?

Mr. MOLLOHAN. There has to be an evolution——

Dr. PRABHAKAR. I think at the national scale. We keep talking about the National Information Infrastructure.

We are in this exciting period where information technology is finally becoming useful to people at home. It is affecting their lives—how they relate to each other, how they learn. It is finally getting to every day life. And the small manufacturers getting linked to the information society is a part of that.

Mr. MOLLOHAN. You think they are——

Dr. PRABHAKAR. I think that process is just beginning.

Mr. MOLLOHAN. It is pretty remote where I represent.

Dr. PRABHAKAR. In fact, one purpose of our Manufacturing Extension Partnership—we have talked about how we can help companies become more efficient in what they do.

In a basic sense, the ultimate dream is to connect small manufacturers to this information revolution that is going on.

Mr. MOLLOHAN. What do you mean when you say that—the ultimate dream—that sounds really distant to me.

Dr. PRABHAKAR. I don't want it to be distant either, but I know that you know that many of these companies don't own a computer today, so this is not something that is going to happen overnight.

Let me try to be very specific. We see a couple of steps. One first step that can be extremely beneficial is to have in place this manufacturing extension network and at those locations, at those centers, create the window into the information sources.

So if I am a small manufacturer and I can't easily link up, I ought to be able to get the information through the access that is at my local extension center. That is step number one.

Mr. MOLLOHAN. So I am the manufacturer, and I could go over to the center.

Dr. PRABHAKAR. Or call up and say, "Could you look up—"

Mr. MOLLOHAN. And that is somewhere—maybe the Chamber of Commerce or something?

Dr. PRABHAKAR. Wherever the local center might be. That is going to be an important first step for these companies that really aren't yet linked up. But this is not going to happen in two or three years.

I think ultimately you will find it moving out to those smaller manufacturers. I think that is the information picture. A small comment about how we perceive our manufacturing extension partnership.

There are the activities that you mentioned, many other sources of technology and expertise and information and services out in the world. We really view our job in manufacturing extension as building that connection to that huge base of small manufacturers.

It is not duplicating all of those other sources; it is providing that last linkage I think. So I think there is a very good synergistic opportunity.

Mr. MOLLOHAN. Right. I know you are more than ad-libbing this. But to what extent have you really thought this through, so that it is a scheme that you have on a wall somewhere and all the lines are drawn?

Dr. PRABHAKAR. I think that is happening.

Mr. MOLLOHAN. Happening, or has it happened? I really want to know where you are in this process.

Dr. PRABHAKAR. It is at a state where we would be delighted to have the people who are doing that come in and describe it to you. Today this really doesn't exist. I have talked in glowing terms about our extension network, but today, only seven centers are up and running.

Mr. MOLLOHAN. But, conceptually they exist?

Dr. PRABHAKAR. Conceptually, it does exist.

Mr. MOLLOHAN. Conceptually, you have a scheme for doing this, is that correct?

Dr. PRABHAKAR. Absolutely.

Mr. MOLLOHAN. So the question is, about how long would it take to implement this scheme, through your prototyping in a couple of different ways and a couple of different places? You have probably done that in the last couple of years haven't you?

Dr. PRABHAKAR. The prototyping is beginning now, so we are at that early stage in this business, and the way you will see this grow is at the end of this year, we will be at about 35 centers. And at that stage, you will start to see them sharing information, you will see them better linked to these other sources of technology information.

Mr. MOLLOHAN. Let me tell you my problem with all of this. I know it can't happen everywhere simultaneously, but if it doesn't happen within some reasonably compact time frame, it creates disadvantages instead of advantages. For example, if I want to invest in flexible manufacturing and be on line to the Navy and have them computerize a drawing for me and be able to run it out as a small lathing operation—even if that were in place it would not be meaningful unless it went beyond that to be integrated into marketing, export marketing, and other similar activities. If not, then I am going to be in a disadvantaged position.

So the last person at the end of the process of deploying this vision, is probably going out of business. It is very important to think in those terms and be sensitive to how quickly we provide access to this activity. How quickly would you be able to implement your programs with the current funding you have requested?

Dr. GOOD. The Federal implementation, in terms of getting assistance to at least the 100 libraries and getting FedWorld up and running at a level that we think the customers are going to need will take about a year and a half, if we get the money. From the moment you give us the money, we can do it.

Mr. MOLLOHAN. You mean being on line across the country?

Dr. GOOD. Yes, sir. Because remember—

Mr. MOLLOHAN. In a year and a half?

Dr. GOOD. Yes, sir. Because once we get FedWorld up and running, if your local library has a PC, you can go into that local library.

Mr. MOLLOHAN. I think it does.

Dr. GOOD. No, I am serious. You can go into that library.

Mr. MOLLOHAN. I think we have that.

Dr. GOOD. But you can go into that local library, get out on a modem and get into FedWorld. And the entire database of the government will be available to you.

Mr. MOLLOHAN. What part of this system is that? That is not the manufacturing technology centers?

Dr. GOOD. It can be a piece of it at some point.

Dr. PRABHAKAR. We are talking about two different aspects here. The Manufacturing Extension Partnership portion of it we have a component called LINKS, which is exactly this part of the business. In 1995, the budget request includes \$17 million for that component, and that is one of the steepest parts that we are trying to strengthen this year in fiscal year 1994.

Mr. MOLLOHAN. One of the steepest parts?

Dr. PRABHAKAR. This year, we are ramping up \$3 million, and next year we are trying to get to \$17 million. Because again, we

are trying to create a national network of extension, not just national centers.

I am delighted to hear your enthusiasm for it. That is important.

Mr. MOLLOHAN. Well, I am glad to hear you think you can do it.

Dr. GOOD. It is really doable.

Mr. MOLLOHAN. I am going to yield to my colleague.

Mr. MORAN. This was really comprehensive and in-depth testimony. I like the props. It is also nice, too, to see the gender breakthrough in technology leadership. That is good. I managed to stay awake for the discussions of some of the more technical stuff, which is also a great credit to you, not to me.

I met two of the winners of the Westinghouse Science Talent Scholarship Program last night. The first one from Thomas Edison I could understand, because they had figured out a plant that you plant in the midst of the sewage it grows in the sewage and consumes it and then you harvest it and use it for animal feed. That I could conceptualize.

But then the other one from Thomas Jefferson had this binary graph theory, and used no-loop trees to explain it. They explained, you know, *latus* theory, and lost me. So I think I was commiserating with Alan here that we may know a little bit about getting money to people who do know what they are doing, but we are going to put a lot of trust in you. And I know you do know what you are doing.

We talked a lot about the Manufacturing Technology Centers which are really important, because you can expand those manyfold.

Dr. GOOD. Right.

Mr. MORAN. Now, I represent an area, with more scientists and engineers than any region in the country.

Because we are forced to implement the National Performance Review Recommendations, there are going to be a whole lot of valuable people lost from the Federal Government with some very valuable skills. This is an area—because of its demographic composition, has a lot to offer the country in technical leadership, particularly in information-oriented technology. If we are going to try to absorb some of these people into the private sector, we could really use a Manufacturing Technology Center that may not be focused so much on capital-intensive type of manufacturing, but rather on less capital-intensive, but high-profit margin, high-employment types of industrial development that I know is what NIST is particularly interested in.

But as I mentioned to Secretary Brown today, some of the past Manufacturing Technology Centers seem to be particularly focused on what some might consider a kind of a rear guard to protect capital-intensive manufacturing. While, I grant you that, I am not sure that it is really the cutting edge, of technology. I would hope that some of the new technology centers might emphasize some of the less capital-intensive, at least to show a balance, if not to show forward momentum in that area.

Now, do you have any thoughts about that that you would like to share for the record?

Dr. PRABHAKAR. We find that the manufacturers that we are reaching out to are usually very expert at whatever it is that they

do. It might be bending metal, it might be something far more sophisticated.

But across the manufacturing base, in companies that you might term "low-tech," or companies that you might term "high-tech," we find these same kinds of manufacturing inefficiencies. So I would agree that there is an opportunity for the broader manufacturing base, and I think that is reflected in the thinking that really focuses on looking at regional needs.

Mr. MORAN. Good. You are really talking about information dissemination, and, computer capacity, that corporations might not be able to avail themselves of, but do serve as an incubator for small businesses. These businesses could take some of this new technological know-how and develop their own kind of entrepreneurial efforts.

I don't know a lot about it, because obviously we don't have any of these centers. I know South Carolina does and some other places. Is that sort of the way it is supposed to work?

Dr. PRABHAKAR. First of all, I would like to tell you a little bit about the business of getting a center. I really do think having a competitive process is the only way to get the kind of quality capability we need. However, I think it is equally important for us as an organization to reach out to communities and to work with them and show them how this works, and we would be very pleased to do that with anyone in your area or any other part of the country.

Mr. MORAN. Good.

Dr. PRABHAKAR. I welcome that opportunity.

I would like to make sure that we don't leave you with too broad a notion of what we think this job is all about.

Mr. MORAN. Well, you can't do a lot with \$1 million, and I understand that.

Dr. PRABHAKAR. Well, I hope it is more than \$1 million when it gets appropriated.

Mr. MORAN. I was talking about individual project centers.

Dr. PRABHAKAR. We have tried to have a very clear focus on manufacturing technology, on assisting existing manufacturers, helping them upgrade their capability, and I don't want to leave you with the impression that this program can solve a host of other problems like developing new technologies, like serving as an incubator.

There are other parts of our investment nationally that are doing that. This is really focused on helping small manufacturers upgrade their capabilities.

Mr. MORAN. But there are spinoffs, aren't there? It is not just enhancing the ability of existing companies, don't you make that kind of information available if, for example, if a scientist or an engineer or whatever—

Dr. PRABHAKAR. Oh, absolutely, absolutely.

Mr. MORAN [continuing]. Wanted to maybe contract with the Federal Government or somebody else, you would help them in their access to the kind of technology that might be what they had in mind. I don't want to try to get too specific, but I think I understand, and I think that it would be a benefit to have it somewhat closer by than South Carolina.

FEDERAL DEPOSITORY LIBRARY PROGRAM

Let me get into a really high priority issue, since we have our Staff Director for Legislative Branch Appropriations Subcommittee with us. Mr. Lombard is not always available to this subcommittee. But I think the principal reason that he is here is that we have had some hearings in the Legislative Branch Subcommittee, and I mentioned this to the Secretary and acknowledged that this may not have been his number one priority or concern.

We found out that NTIS seems to be duplicating some of the functions that the Federal Depository Library Program is currently conducting. Now, I understand that fugitive materials are not quite as sinister as they sound.

Dr. GOOD. No, they are really not.

Mr. MORAN. It sounds like there is a little more duplication than just fugitive materials; \$6 million in upgrading in fact. I share Mr. Rogers' skepticism of how you figure out which 100 are going to get upgraded to improve dissemination and then \$6 million.

But that is \$12 million, and then you go into NTIS. And NTIS is asking for authorization for a Federal Information Locator System. Well, we just authorized the Depository Library Program to develop a Federal Information Locator System. So I think you are prepared to go with this, you seem to be ready to respond.

Dr. GOOD. We are going to jump in here, all right.

Mr. MORAN. What is the story?

Dr. GOOD. First of all, we really have worked fairly closely with the Government Printing Office, and we are trying desperately not to duplicate what they do. Remember that NTIS has a legislative responsibility to collect all of the technical documents that the government provides, and our requirement there is really quite different from the Government Printing Office. Our responsibility is to keep that as an archive.

In other words, we have in that database the government's technical information, back as far as you would like to go, probably further than you would like to go. The Government Printing Office prints whatever documents they are required to print, and they print a lot of whatever it is. When that is gone, that is all there are. You cannot get that information any longer from the Government Printing Office.

Mr. MORAN. The Library of Congress must have it, though.

Dr. GOOD. They might have a copy, but I doubt they are going to send it to you. The issue is the following: NTIS has the responsibility for maintaining that entire database and providing those documents to the public at some reasonable charge. The fact that we have to run off of non-appropriated funds means that we have to do that in a cost-effective manner.

The only way to do that in a cost-effective manner, if you have to pay for your rent and other things, is to get out of things like the warehouse business and put this stuff up on electronic databases so I don't have to keep 5,000 copies just to be sure that whenever you order one, I can send it to you. The equipment costs that we have requested are really to modernize this facility to be able to do that, so that we do not have warehouses full of hard-copy documents.

Secondly, FedWorld, to our knowledge, doesn't duplicate anything within the Federal government at the present time. We are not trying to take over any other government agency's business.

On the other hand, with FedWorld up and running, we can offer, and Don Johnson can describe it better than I, but he describes it as buying retail space in a shopping mall. If you were a government agency and you had a database you wanted to distribute to the public and you would like to do that electronically, you can give us that data either electronically, or you can pay us to make it electronic, and we will distribute that information for you through our system. We will not redo your database and we do not want to do your business.

If you are a government agency that feels that you must distribute the information free, and some agencies do, then we would have to charge you at least for what it costs us to put it up online and distribute it to your customers. But with the system we have devised, a number of the agencies have come to the conclusion that that is a cost-effective way for them to disseminate the data they have. And they are probably going to buy space in this retail center for us to manage their database and see that their customers get service.

FUGITIVE DOCUMENTS

The same is true for things so-called "fugitive documents". When I first saw this thing about a "fugitive document," I couldn't figure out what that was.

A "fugitive document" is a Federal document which we have, but the Government Printing Office did not choose to print. Therefore, that "fugitive document" can be obtained from NTIS.

We think that is a service to the outside world. The depository libraries get very upset that they cannot tell from the Government Printing Office lists whether there are any documents that they got or not. And so we are putting together a matching, so you will know what those "fugitive documents" are, and if you think they are important for your depository library, you can now order them from NTIS.

That is clearly not duplicating the Government Printing Office, and in fact, it provides a service. Probably, the reason they didn't get printed by the Government Printing Office in the first place, is that it wasn't cost-effective to do it. But if we have them all online, then it is effective for us to distribute them at the price with the rest of the documents we sell.

Mr. MORAN. There are 1,400 depository libraries. You are not going to have fugitive libraries in all of these depositories; are you?

Dr. GOOD. No, I hope not. But each of the depository libraries would like to have a list of the documents that they did not get from the Government Printing Office. What we agreed to do is to look at our database, which we are required to do by law, provide them with a list, and then they may order those if they want.

Mr. MORAN. Are you going to charge them for it?

Dr. GOOD. At the present time, we have to charge. We don't have any choice, because we have to provide that in some rational way. On the other hand, over time, if we can work out a system that

would work properly, we could probably at least provide some of it, at least the on-line services free.

We do intend to let them get into FedWorld and wander around and see what they have. We hope to offer that as a free service. But that means we have to get it off customers who buy products and pay for the operations.

Mr. MORAN. Well, I have some expert feedback here.

Dr. GOOD. Maybe I could get my expert back here to answer, too, if that is okay.

Mr. MORAN. I am glad C-SPAN isn't covering this one. The depository program is also going to electronic format. They think they can provide this material. I think they may somewhat jealously guard the initial distribution of Federal Government information, and the Public Printer apparently was not quite as enthusiastic about the level of cooperation that has existed between GPO and NTIS.

Dr. GOOD. That is true. I think that is fair.

I am going to let Don Johnson say a few words but I am not going to let him have a full leeway here, because he can talk all afternoon. So I am going to confine his response—

Mr. MORAN. You run a tight ship.

Dr. GOOD. I know him pretty well by now.

But just to respond to—

Mr. MORAN. See, the Chairman is not here, so we can go on and on.

Dr. GOOD [continuing]. To respond just to the depository library issue, because it is a rather complex issue, in the sense that you have two government agencies who are by law required to do certain things. And our piece of it is the deposit of all of the government science and technology information which has to come to NTIS, and we are obligated to provide some kind of a mechanism that anyone who wants that information can get it back.

Now, the people who want it and who have gotten it—essentially for free in the past have been the depository libraries because of the legislation that is out there. But it has been hard copy, therefore, it has been late, and it has been slow. They would like to go on-line, but they would also like to get on-line service at the same price they used to pay for hard copy.

Mr. MORAN. We can't let them get away with that.

Dr. GOOD. Well, I don't know whether we can or not, it depends.

Mr. MORAN. Don, is there anything left to say?

Mr. JOHNSON. She pretty well covered the whole waterfront. We are offering a system of accountability for everything that comes in our door with specific flags indicating those documents that are not available to the depository libraries through GPO. That will be available only electronically, because we simply cannot afford to print such a list and distribute it, so we will make it available electronically. We will make it available on a file that is accessible to the libraries. Thus, it is important that they can communicate with us electronically for that.

They will be able to peruse that file and indicate that the document they do not now get from the depository system but they would like to receive. And I have already written to Mr. DiMario and indicated to him that we would very much like to have the de-

pository program make the distribution of those documents, because we cannot afford to do it ourselves. We have committed to enter into a memo of understanding with GPO that we will encourage the agency of origin of the document to communicate with the Government Printing Office and arrange to pay for the distribution.

TITLE 44

Somebody has to pay for it or the library will have to pay for it. Title 44 says the burden of the payment is on the originating agency. We will communicate back to the Agency and indicate that their document is desired by this set of libraries.

We will communicate to GPO that those libraries have indicated they want the document, so we are making the match. And we can do that electronically at very low cost and we are willing to do that to try to make the system work.

Now, the last thing that we have committed to do is that to the extent that we can receive documents in an electronic form and we can provide for direct download, we will make those available to the depositories to download for free. We will limit them so that they are only downloadable by the depository library for free. We may have to sell them.

Dr. GOOD. We must, in fact.

Mr. MORAN. Well, I understand. But I like his idea that you don't pay for it, we don't pay for it, somebody else is going to pay for it.

Dr. GOOD. That is right. On the other hand, if one of the agencies would like for us to provide that service, we will provide that service, but then they will have to pay us to do that. It isn't appropriate to charge one set of customers to support another set of customers. So we cannot get into this business of deciding that one set of customers is more worthy than another set of customers and charging differently, letting somebody in for nothing. That means that the prices to other people have to go up, and we can't do that.

Mr. MORAN. Sure. Well, this is very good, and it is excellent testimony. Thank you. We have some very fine leadership at The Technology Administration.

And with that, Mr. Skaggs, you may want to give them an opportunity to further show their capability.

Mr. SKAGGS. Thank you.

BASIC RESEARCH BUDGET

Let me toss out a softball to start with. There has been some suggestion that we need to push your colleagues at the National Science Foundation more toward applied research, technological application, and therefore dilute what I always conceive of as its principle mission: the support of basic research.

Obviously, you are the other side of that coin, in some sense, and I just wanted to invite your commentary on the division of labor and the logic behind that, between Commerce and NSF on this.

Dr. GOOD. Well, first of all, that is not the softball, Mr. Skaggs, in today's world.

Mr. SKAGGS. Oh, it is not?

Dr. GOOD. But anyway, I clearly do, and Arati and I have had some long conversation, and she can comment as well.

Personally, and this really is the position of the Department of Commerce as well, if you look at the President's budget, there is no lessening of a commitment to basic research.

The worst possible response would be to reduce the Nation's investment in basic research. That has served us extraordinarily well. It is the source of the manpower that we have; it is where you get the training to do some of these innovative things that happen. And the way we have matched a lot of our basic research with the universities has been very effective for us, and I think that is an area where we need to maintain it.

The issue within the National Science Foundation is how you structure your basic research programmatically to get the best value people. Some are pushing to get it in so-called applied science, I don't think that is really the issue.

I think the issue is how you look strategically at basic research today, and is it different from what it was 50 years ago, and would you restructure it a little differently to make the most of it today? That is the question.

My own personal opinion is that the answer is yes. Because 50 years ago, basic research was totally discipline-driven. You had chemists and physicists and biologists who did chemistry and physics and biology. If you look at the really exciting things that are happening today, they are in biochemistry, biophysics, biomechanics, and at the interfaces of these disciplines.

So if you think about that, you might really decide that you want to reconfigure your basic research thrusts in a way that would let you focus on those really exciting interfaces. That in no way says that that should become applied research in the usual sense of that term. It would be the worst mistake to take money out of the basic research budget and put it into the programs we are talking about here.

What we are looking at is the ability to move from what the President would like to do, which is to move the overall R&D spending of the country from 60 percent to defense, and about 40 percent for civilian infrastructure, to at least 50/50. So what we are looking at is that shift and how we ought to work that part which comes out for the civilian infrastructure.

And programs like the ATP are really very important, because if we don't do the middle correctly, we won't have the money to fund the basic. And the only issue that I would ask the basic research people to understand, is that if we cannot get the industry up and effective and productive, then you won't make enough money to pay for the basic research they want to do.

So it is critical to get the step done between the basic research and the technology development, and in a sense, ATP is the vehicle to do that. And if we could somehow better articulate that, it would make a big difference when people begin to discuss these issues.

Dr. PRABHAKAR. A small footnote. I think Mary said most of it. My only additional comment is I think we have to keep our eyes firmly on what proportions that we are talking about.

The budget request for fiscal year 1995 for NIST is 1.3 percent of the total Federal R&D budget. It is less than \$1 billion. In that year, NSF's budget is a few billion dollars, the National Institutes of Health are, I think, \$11 billion, we heard a while ago.

Basic research is funded through the Defense Department, the Energy Department, et cetera. So I think one of the phenomena is that we get a lot of attention, because this is a new business of civilian industrial technology, but, in fact, it is not the size of dollars that I think are eating into this other science base, which is very important.

Mr. SKAGGS. That is helpful. Thank you.

DEVICE TECHNOLOGY AND THE FDA

Dr. Good, you were present this morning when I mentioned to the Secretary my continuing interest in, as you put it, the interface between your discipline and that at FDA as it applies to device technology in particular. I wrote you about that some time ago.

Dr. GOOD. Yes, you did.

Mr. SKAGGS. I don't want to belabor it in testimony this afternoon, unless you wish to, but I would be very interested in a progress report in how Commerce is doing with HHS in pointing out to your colleagues over there that this isn't just a matter of HHS concern.

Dr. GOOD. Well, those issues, some of the regulatory issues that impact exports in particular, are really very important across the board. The one that you happen to know about is a clear one and is very easy to articulate.

Mr. SKAGGS. That is why I use it.

Dr. GOOD. Right. The issue has to come down, I think, eventually to the fact that we have got to get people to understand that this is a global economy. Just like me sitting here making the cursory view, we just looked at this circuit board a little while ago and we talked about the fact that this board tells you what the global economy is all about. We are in much better shape than we were about five years ago, because now half of the chips look to me like they are American, but the others are either Chinese or Japanese or whatever.

But the issue is that we really do have to get to the point where you export what is required and do it effectively as a part of how you make decisions. We have got to get people to include technology issues as part of the regulatory questions; we have got to get them to become part of the trade questions, because they are all part of the same thing. And if we are going to be successful, we must be able to make them work together.

Mr. SKAGGS. You bet, and I don't think there is any disagreement in this room about that. I will put this as delicately as I can.

Dr. GOOD. Go ahead.

Mr. SKAGGS. I am just wondering, essentially, whether you need help in getting the kind of attention from FDA on this that is necessary. And I don't mean to impugn their motives or their determination.

Dr. GOOD. It is not an issue of motives. They have the best motives in the world. That is not the problem.

Mr. SKAGGS. Part of it is a reflection of jurisdictional lines in this place, and there is no opportunity because of committee jurisdictions to get everybody in the same room at the same time and say what is going on.

Dr. GOOD. Right. We have had preliminary discussions. One of the things we are trying to do on exports within the Department of Commerce the Secretary has done an enormous job here, and industry I think is beginning to be very appreciative—is to get as many of the technology issues that are just technology issues, and there are commerce issues, to be managed by the Commerce Department as we can.

In the device area, my view is that those are technical discussions; they are not efficacy discussions, they are not drug-related discussions. So what we have to do somehow is to get them to understand the difference between technology in various categories and let the Commerce Department regulate those that I would consider to be consumer technology, which they are. And how we go about getting that done on a timely basis is the issue.

Mr. SKAGGS. Have you been able to talk to Dr. Kessler about this?

Dr. GOOD. I haven't talked to Dr. Kessler. We need to go talk to him directly and see what his concerns are, which we will do. I promise you we will do that.

Mr. SKAGGS. Great.

As you are no doubt aware, I think there is a willingness on all sides, including the industry, for the industry to chip in more money or to take care of Dr. Kessler's resources.

Dr. GOOD. Right. If that is his problem.

Mr. SKAGGS. Yes, sir, and that is a big piece of it.

What would be a reasonable time by which to expect to hear from you about this?

Dr. GOOD. Give us six weeks and call me. If we haven't done it, you really ought to be able to beat us around the ears; is that fair?

Mr. SKAGGS. I will take the invitation.

Dr. GOOD. And Judy is taking notes behind me.

Mr. SKAGGS. Thanks.

KEY ESCROW ENCRYPTION

I see that Brother Kammer is with you this afternoon. I know he is dying to talk to us about encryption.

Dr. GOOD. If you say that word, he is likely to leave.

Mr. SKAGGS. But I won't call on him.

Mr. KAMMER. Thank you.

Mr. SKAGGS. Dr. Prabhakar, what are your views on the whole chip issue? I have heard Mr. Kammer brief us upstairs on this, but it if we get into this, as the Administration is now proposing, you become the keeper of one of the two crown jewels, as it were. Is that going to be a resource problem for you at all, or is it a relatively modest cost?

And given that NIST is not exactly in the business of addressing communications policy or privacy issues, but you have got this baby in your lap, nonetheless, you may have some credibility if you wish to apply it to a debate on this. That would help enlighten the American public about the privacy gains that we may accrue as opposed to the privacy losses, which are the only things we hear about.

Dr. PRABHAKAR. That is an excellent statement of the situation. I think we are caught between a rock and a hard place, and I am

not aware of any simple solutions, and I am very open to hearing about any ideas forthcoming. I think Ray has done a superb job of explaining the situation and trying to articulate the Administration's position on that, and he is surely far more expert than I am.

I am a bit concerned that we have heard a lot about the rock in the press and not much about the hard place. I think we have talked about the privacy issues side of it and not that much about law enforcement and other public issues that are also pretty important.

Mr. SKAGGS. I think we have heard the rock and the hard place. What we haven't heard, at least as I understand it, is the counterintuitive piece of this—that is that the general availability of high-quality encryption that could be accessed only under very, very tight circumstances would be a net privacy gain for most communication users.

Dr. PRABHAKAR. Right; by making it pervasive and easily available, et cetera.

Mr. SKAGGS. Right. And if you are a private company or private individual, for that matter, you are probably going to be able to maintain communications privacy at a higher level than under current circumstances.

Dr. PRABHAKAR. I think you are telling the story exactly the way it needs to be told, in fact.

Mr. SKAGGS. But I don't have any credibility on this.

RESOURCE ALLOCATION

Dr. PRABHAKAR. Let me answer your other question which was about resource allocation. The current budget request does not reflect any resources to undertake the new responsibilities, since that came along subsequent to the budget process. My understanding is that it is still under discussion and is not yet included in what we are talking about today.

Mr. SKAGGS. If you have anything you would like to put in the record on that, I would be grateful to see it. I will have a couple of other questions for the record.

My colleague from North Carolina has been waiting patiently. We are doing tag-team chairing here in which we don't get exhausted, but you do.

[CLERK'S NOTE.—No further information was available at printing time.]

Mr. SKAGGS. Thank you.

Mr. PRICE. Well, thank you, Mr. Chairman, and I——

Mr. SKAGGS. You are now, Mr. Chairman.

Mr. PRICE. I am now, Mr. Chairman. All right.

I apologize for my late arrival. We have been fighting the budget battles on the Floor, and that really is going to frame my question.

Let me ask a couple of more detailed questions first, but I do want to ask you, as we close this afternoon of hearings out, to reflect on the big picture in terms of your agency's mission.

INTERNATIONAL INVESTMENT IN R&D

Turning first, though, to your statement, you note that the Federal Government now supports about half of all of the research and development conducted by the United States, but only a relatively

small proportion of that is directly aimed at benefiting U.S. industrial competitiveness. I am sure that this has been studied in comparison to what other nations are doing.

Do you have any comparisons off the top of your head, or could you furnish that for the record, just how that kind of aspect of international investment compares with our competitors?

Dr. PRABHAKAR. You are absolutely right, Mr. Price, it is quite a stark contrast to other behavior in industrialized nations and we would be happy to provide the information for the record.

Dr. GOOD. I don't have it today either. I had it yesterday at the trade discussion, but not today.

Mr. PRICE. All right. Well, we will be interested in seeing that for the record.

[The information follows:]

Comparative R&D Data (from NSF, Science and Engineering Indicators, 1993).

R&D EXPENDITURES AS A PERCENTAGE OF GDP IN 1991

Country	Total R&D/GDP	Non-Defense R&D/GDP
Japan	3.0	3.0
Germany	2.8	2.7
France	2.4	1.9
United States	2.6	1.9
United Kingdom	2.1	1.7

ADVANCED TECHNOLOGY PROGRAM

Mr. PRICE. The Advanced Technology Program, we, of course, have been very supportive of on this subcommittee, and in our textile industry and elsewhere in North Carolina, we have reaped some of the benefits of this. I am interested in the reaction you got when you went to the technical community for ideas.

You talk about 450 ideas for ATP program areas. I guess that is good news. What on Earth do you do with 450 ideas?

Dr. PRABHAKAR. I will tell you.

Mr. PRICE. My question is what are the range of these ideas, how good are they, can you characterize them or maybe provide some examples for the record and what kind of support can you realistically hope to see?

Dr. PRABHAKAR. That is a process that has been engaging us recently and I think it is working extremely well.

First of all, I think that number of program ideas that came in between October and December of last year, reflects a huge interest in the industry, and it tells me that we are really fully engaged with the American industry. It exceeded even my best expectations for the kind of response we would see.

What came in were a collection of ideas, some of which were in fact what we were looking for where companies. Many companies had come together, had thought through strategic technology opportunities for the country, had thought about what it would take to accomplish that and about what economic difference that would make in the long term.

Some of the ideas that were comprehensive and were good starting points for our process. Many of the other ideas that came in were much smaller. They perhaps might be sensible individual

projects, a specific company's contribution in some strategic area, and in those cases, we have gotten people in similar areas talking with each other, providing information among themselves so that they could start building the community activity to start looking perhaps in the more strategic sense at the larger opportunities.

Some of the ideas that came in were in program areas where other agencies have substantial investment. For example, we got ideas on packaging and display technology and semiconducting manufacturing—areas where ARPA spends several \$100 million a year on just those kinds of activities. And in that case, we sent those papers over to ARPA, saying, we have heard these fabulous ideas from the industry and we hope you will consider them as you evolve your programs,” and we have informed the submitters that is where they went, because it is our express goal not to duplicate existing efforts that are already quite effective.

What has subsequently come out of all of that morass of fabulous ideas flowing in is a group of workshops that we have been running in various areas. One of them was in biotechnology, one was in information technology for medical applications, one was in materials, and another in manufacturing. We have had a host of workshops in software.

I have left a few out, but you can see that they cover a very wide range. And in these workshops, there have been meetings—we have invited several of the people who submitted white papers to present them, to walk through how they would work, how they would have economic impact, what the technical ideas are and use that as a way to bring the community together. So we are really going through a synthesis process and what will come out of that will be determined in April. We anticipate four program areas.

I anticipate that each of those will have its roots in many of those proposals that came in the door. And it is really that sort of integration of synthesis process that we are right in the middle of today.

Mr. PRICE. Good. That is helpful and we will look forward to the refinement of your plans in this program.

MANUFACTURING EXTENSION PARTNERSHIP

I notice with the Manufacturing Extension Partnership, you have an upbeat account of the experience thus far. I was struck especially with this rate of return that you report.

I don't particularly want a highly technical accounting of that, but I am wondering how you come up with that? You say client firms of these first seven centers reported \$320 million in benefits in the last four years; that is a return of \$7.00 for each Federal dollar invested in these centers. Well, that does sound very good, and I wonder what kind of significance we should attach to that figure?

Dr. PRABHAKAR. Exactly the right question. I really want to stress that it is a very early indication; it is based on a company's own assessment of what difference we made to them. It is not some neutral third party or sort of market survey analysis. So I would not want to characterize that as complete, thorough evaluation. The program is really at a pilot stage and it is just really one of the first indications.

Where the estimates of those dollars came from was essentially from the client companies who use the services of the manufacturing extension centers; what benefit they thought they had seen from the activities that they engaged in with the extension center. In many cases, they were able to increase sales or reduce their internal costs of operation.

They were often able to save jobs or create new jobs because of these activities, and it was really the sum of all of those incremental benefits to the individual companies that resulted in that \$320 million number for that period of time.

Mr. PRICE. Have you received any more critical feedback that has led you to modify that program or alter your expectations for it?

Dr. PRABHAKAR. I think that program, because it is so different from everything else we have ever done in Federal R&D, is not more technology development, it is this different job of getting information out to the broad manufacturing base. So quite naturally, I think it has gone through an intense period of learning in its early days since its inception in the late 1980s.

In fact, I think one of the twinkles in the eye when the program started was that perhaps the magic solution would be to take a fabulous, sexy technology out of government labs and hand it on a silver platter to small companies and it would solve their problems. And, in fact, as we started the program and listened to what companies needed, we rapidly learned that what they need is access to fairly conventional industrial engineering practices.

A lot of our success stories are implementing just-in-time or helping someone figure out what worker training they need to implement a particular tool on their factory floor. And I think that results in just establishing a fundamental philosophy for the program which is to listen to those companies, to provide them with what they need rather than selling a technology solution. That notion in the program and the notion of basing it on regional capabilities, allowing each center to respond to the local needs and requirements of its manufacturing industry, coupling with State and local governments to do that, I think those few elements now are the base that we are going to build on, but we got to that point through a lot of learning in the early days.

Mr. PRICE. Well, you have been here for a good period of time. So let me close out with a broader question.

IMPACT OF BUDGET RESOLUTION

Let me just reflect with you for a minute on what is going on in the Floor a few yards from here. We are debating the 1995 Budget Resolution. The Budget Resolution, of course, sets broad guidelines for this subcommittee and for others, yet it is based on some very real assumptions about what our priorities are going to be and what we are going to be appropriating in the subsequent spending bills.

You are one of the big winners in the President's budget. Not as big as you would like, probably, or maybe not as big as you could work with.

Dr. PRABHAKAR. No, no, this is fabulous.

Mr. PRICE. But nonetheless, in this budget climate, you do have room for encouragement and room for some expansion, and that

makes the contrast all the more stark between the Budget Resolution that we have reported, that the Budget Committee has reported, which of course for the most part reflects the President's submission, and the alternative Budget Resolution which Mr. Kasich and his colleagues are offering.

Now, Mr. Kasich in his budget eliminates, I think almost all, if not all, of the increases in investment. In fact, in many instances, he doesn't just eliminate the increase, but cuts them back to the level of a year or two ago.

In the case of the advanced technology program, of course, he eliminates it entirely, just simply zeroes it out.

As we go through the details of your programs and your proposals, it would be a mistake, I suppose, to lose sight of the bigger picture and what a budget of that sort would entail, because after all, that is the decision we are faced with right at this minute.

I would just like to give you a chance to comment on that, what it would mean for your program, for your agency's mission, for the kinds of things that you have underway? We used to say in American politics, we don't have a choice, we have an echo. Well, this time between these two budgets, we have a choice, not an echo. And the choice is very stark and I would like to ask you what the implications of that choice are.

Dr. GOOD. Let me make a few comments on the overall idea and then respond on what it means to NIST from the perspective of one who has recently come from a civilian industry and one where we had a major technical "big" aerospace business, automotive business, and the chemical business, all in the high-tech, or at least medium- to high-tech area.

One of the things that I think that is missing from this argument is any perception of what is actually taking place in the global marketplace today and how we are participating in that. If you look at the papers, you will see the downsizing in all of our big industries. And if you look down at the next layer, you see something that really is very different, and you see companies utilizing their R&D resources to protect their core technologies.

To be competitive in today's world and to produce a product at the quality and price that makes them competitive means they have had to put a lot of time and resources and money into their manufacturing technologies. They have had to put a lot into the quality upgrades, and into very rapid turnaround of improvements in product from where they are to the next generation of products to make it a timely one.

If you look at all of them across the board, the amount of money that they are putting into new technology development is less. For example, if you look at a large company like General Electric where they have had new, big divisions built from technology developed within the General Electric laboratories, the amount of effort and resources that are going into that kind of activity in the private sector today is much less than it was even five years ago. And the indications are that in 1994, it will be significantly less once again.

Many of them are actually reducing their total R&D outlays, regardless of where it is going. The kind of fundamental programs that ATP addresses represent the opportunity to take embryonic technologies and develop the technology to the point where there

is someone out there who will take a risk to commercialize it, either a venture capitalist, and in today's world a venture capitalist has to have something he can smell and feel before he is going to put money into a new technology, or whether a major company that will pick it up and run with it.

Many of the programs in ATP represent that kind of grassroots response to developing new technologies which will be the products of the beginning of the 21st Century. And if we were to remove all of that from the Federal government today and go back to funding only basic research and direct military applications, my view is that within a relatively limited period of time, we would have to either make a decision to put huge investments to catch up, or we would become a second-rate nation.

Developing countries are putting major investments into these kinds of longer-range, new technology developments. So my view is that this is a significant opportunity. The ATP program is such a different, rare opportunity to actually stimulate some grassroots technology that people are willing to put time and their own money into. Many of our other so-called technology programs in the Federal government are in-kind, where the government is developing the technology. Then we are stuck with this huge problem of how to do technology transfer.

ATP doesn't suffer from technology transfer. We somehow have to make people understand the difference between those two pieces. That \$500 million put into ATP, where you require matching from the industry to make another half a billion, is probably worth three times that or more in terms of if I did it with in-kind, government-done research, and then have to worry about how to do the technology transfer.

Mr. PRICE. Well, it is ironic that the same people who are so critical of the government-centered model of research would then come in and want to wipe out this program, which is just the opposite of that.

Dr. GOOD. Correct. And it is clear from the experiences that the technology transfer and the potential for new products and that sort of thing, both in time and in cost, are significantly better under an ATP-type program than under some of the ones that are in-house and then try to find somebody who wants that technology.

Dr. PRABHAKAR. Let me just add a small comment.

I think we have to recognize that the world has changed. We are not engaged in the Cold War; we can no longer assume that our industries are unchallenged global leaders in all areas as they once were in an era that is now gone. I think the industry has spoken about these programs. The Council on Competitiveness has endorsed them strongly. Many other highly respected industrial organizations have stepped up, many companies have stepped up, and now the President and the Secretary of Commerce have stepped up.

I think the will is there, and I think the question for the Congress is—are we going to keep doing the same things we have always done, knowing full well that they will not respond to today's economic priorities, or are we going to make this kind of a shift in our priorities? And we are not talking about a huge percentage shift.

The NIST budget for fiscal year 1995 is a 1.3 percent component of Federal R&D. Yes, it is a big percentage growth, but it is still small on the scale of the total Federal R&D investment. And I think that we really have to be able to make that kind of an investment in this business of direct focused investment, civilian technology for economic growth, and working with the industry. I think we just really need to step up to the challenge.

Mr. PRICE. Well, it seems to me that in Federal budgeting these days, we need to be doing basically two things: One, obviously, we need to be spending less, exercising restraint on spending; and secondly, and equally importantly, that we are spending what we do spend more intelligently, more strategically.

Dr. GOOD. That is right.

Mr. PRICE. It is a sad day when we are not able to discriminate, when we are not able to separate out the legitimate cuts, the needed cuts, the needed economies, from those that really would eat into our economic potential and divert us from the changes that we all know we need to make.

We thank you for being here today and for your good testimony. We look forward to continuing to work with you.

Dr. GOOD. Okay. Thank you very much.

[The following questions were submitted to be responded to for the record:]

Questions Submitted By Congressman Smith

Advanced Technology Program

QUESTION:

Beginning in FY 1994, NIST is defining "broad technology areas" for the ATP competitions. How is this process working? What changes to the award process have you had to make in FY 1994 to accommodate the increase in the number of individual competitions?

ANSWER:

The response from industry to NIST's request to submit program ideas has been excellent. To date, approximately 600 program ideas have been submitted and are being evaluated in terms of published ATP program selection criteria. ATP program managers are working with industry to further develop those ideas that best meet our selection criteria. We expect to announce four programs this spring and additional programs this summer. No substantial changes need be made to the award process. Each competition will require a source evaluation board; we are prepared to operate six to eight boards simultaneously, if necessary. Some minor changes will be made in the proposal review process to enable the reviews to be carried out faster and more efficiently. These include the use of abbreviated proposals and concurrent business and technical reviews.

QUESTION:

What has been the impact of the program-specific competitions on the number of proposals submitted and the quality of the projects proposed?

ANSWER:

The ATP gathered input from industry through a series of public meetings. To date, the U.S. technical community has responded with approximately 600 ideas for program areas. In April, NIST will choose the first set of program ideas and will announce competitions for several focused programs. We anticipate that the focused programs will allow industry to address more systematically the spectrum of technical challenges in a given area, and this will ultimately lead to a greater economic impact than would have been possible without focused programs. The feedback to date from industry on our approach to the forthcoming program-specific competitions has been enthusiastic.

QUESTION:

Can you tell us anything about the proposals that have come in this year -- are there any significant trends in the ATP applications? What is the mix between individual projects and joint ventures?

ANSWER:

In the fourth general competition, there were 252 proposals submitted -- 220 were single company projects and 32 were joint ventures. This is comparable to the number of proposals received in previous competitions. ATP selected 29 proposals to award; five of them were joint ventures. Fourteen of the 24 single company awards went to small business.

QUESTION:

What was the total amount requested in the initial round of solicitations for the FY 1994 funding? How many applications have been submitted?

ANSWER:

Proposals will not be received for the FY 1994 round of ATP solicitations (the general competition as well as the program competitions) until this summer. However, because of the greatly increased visibility of the program and increased number of competitions to be announced, the number of applications is expected to increase significantly. In the fourth general competition, 252 proposals were submitted, and the total amount requested by industry was \$455 million.

Manufacturing Extension Partnership

QUESTION:

What is the status of the original MTCs? Will these centers continue to receive funding under the expanded program and the pending authorization bills? Will the original centers be eligible for the same level of funding as new centers?

ANSWER:

The seven existing MTCs are functioning well, and they will continue to receive funding under the Manufacturing Extension Partnership (MEP), provided their performance meets the requirements of the program and their statements of work. Under present law, funding for these centers cannot extend beyond six years; however, in the pending authorization bills, this "sunset" provision would be replaced by an extensive performance review every three years, conducted by a panel of experts. Funding beyond

six years, if permitted, would be allowed with the Federal contribution being up to one-third of the center's annual budget. The funding level for new centers is consistent with that provided for existing MTCs.

QUESTION:

Your budget justification (page 42) states that the FY 1995 request provides funding for the establishment of alliances with Small Business Development Centers (SBDCs). How will these alliances be structured, and what is the level of funding associated with this particular initiative?

ANSWER:

Up to \$250K will be provided to each of the seven existing MTCs for the MTC to use in negotiating with the corresponding state SBDC to establish a manufacturing-oriented SBDC co-located with the MTC. Neither the MTC nor the state-level SBDC can retain any of the \$250k for its use; all of the funds must be used to provide services to manufacturers.

State Technology Extension Program

QUESTION:

What is the total amount of funding requested for the State Technology Extension Program (STEP) in FY 1995? How does this compare to the FY 1994 and FY 1993 levels for this program?

ANSWER:

The respective funding levels are as follows:

FY 1993 --	\$1.3 million
FY 1994 --	\$2.5 million
FY 1995 --	\$6 million

QUESTION:

Does the pending NIST reauthorization bill include any major changes in the STEP program?

ANSWER:

No, it does not. There is much better integration now among MTCs, STEP, and TRP extension centers than was the case in the past, and the pending NIST reauthorization bill would ensure close integration of these activities with Manufacturing Outreach Centers (MOCs) as well.

QUESTION:

How will the state programs interact with the expanded manufacturing extension centers?

ANSWER:

State and regional programs for assisting manufacturers are the foundation elements for NIST-funded manufacturing extension centers. STEP planning grants play a major role in assisting many states as they undertake the planning and organization of partnerships that are necessary to build a strong manufacturing extension activity. For states with a sparse distribution of manufacturers, STEP implementation grants are seen as a means for providing support for manufacturing extension activities on a continuing basis. For regions with greater density of manufacturers, STEP planning grants can lead to funding of MTCs or MOCs.

Quality Program

QUESTION:

You are asking for an increase for the NIST quality program, which includes the Malcolm Baldrige National Quality award. Please tell us what the status of the award process is in FY 1994? How has the program changed since its inception?

ANSWER:

The examiners have been selected and are currently being trained for the FY 1994 award process. Applications are due on April 4; the award winners will be announced in mid-October.

Compared to 1988, the 1994 criteria reflect a much greater emphasis on the role of the employee as an internal customer, on company strategic planning, and on information/data analysis and integration. In essence, the award criteria have become a road map for quality management and competitiveness. In addition, program participation by service industry and small businesses has grown significantly.

QUESTION:

Your requested increase seeks to expand the award eligibility categories to include education and health care. What are the current categories of eligibility and how do these new proposals differ from the existing categories?

ANSWER:

The current categories include only for-profit businesses in small business, manufacturing, and service categories. The FY 1995 increase of \$4 million would extend the benefits of Baldrige-like criteria to education and health care providers, including nonprofit institutions. Pending a successful trial and support from both sectors, in 1996 NIST would recommend establishment of these two categories to the Secretary of Commerce.

QUESTION:

Why is NIST the appropriate agency to judge quality in the fields of health care and education? Why not let the Departments of Education and Health and Human Services take the lead on this initiative?

ANSWER:

The award program focuses on quality management; NIST has the needed expertise through its experience with the Baldrige Award program. Award applicant reviews are conducted by private sector quality experts. NIST does not do any judging; experts from the health care and education communities will join the examining board for these new categories. Both health care and education are critical to the current and future success of U.S. business. NIST leadership of the industrial, health care and education efforts will catalyze the beneficial sharing of successful quality strategies between sectors to accelerate learning. Both the Departments of Education and Health and Human Services support the NIST approach.

QUESTION:

Will NIST have to bring on new personnel with expertise in these areas to manage this program? How many additional positions are required, and what are the planned grade levels for these positions?

ANSWER:

NIST has hired two specialists, one in each category. During FY 1994, NIST intends to hire two more professionals at the GS 14 or 15 level. Four additional professionals, at the GS 13, 14, 15 level, and two administrative people will be necessary to support the new categories.

QUESTION:

What is the total estimated annual cost of the health care and education quality award programs once they are fully developed? When will these award programs be fully developed?

ANSWER:

The annual cost for the health care and education award programs is \$4 million. The earliest the programs will be fully developed is FY 1996. The following factors will affect this timeframe: readiness of the health care and education communities, appropriated level of funds, income from the new endowment and fees, and volunteer efforts.

National Information Infrastructure

QUESTION:

You are requesting another large increase (\$38.3 million) related to the National Information Infrastructure (NII). Since the private sector seems to be making rapid advancements toward the development of the communications superhighway, will the work being conducted by NIST under this initiative be completed too late to have any real influence on the development of these technologies?

ANSWER:

NIST already works closely with the private sector and needs to continue to do so throughout the systems development of the NII. It provides the critical support of a neutral, unbiased party with access to industry information needed to resolve industry-wide issues. While some of the elements for the National Information Infrastructure are in place, there are still many standards issues that must be addressed to achieve interoperability, scalability, and ubiquitous access to networks. Much work remains to be done in cooperation with the electronics and computing industries and in the development of applications such as manufacturing that will use networks. Industry is deploying technology to support the communications components using standards and technologies that are current "state of practice." However, a whole new set of standards and services is needed to use the communications fabric which is being upgraded and will continue to be.

QUESTION:

What is the status of the standards work being conducted under this initiative?

ANSWER:

The status of manufacturing standards, digital product specifications or "application protocols" range from a total void in some sectors to others which are in the earliest stages of formulation. Recently, NIST held workshops with industry, and will continue to do so, to establish consensus regarding where work is needed. NIST recently joined the ATM Forum and will continue to work with industry to develop implementation agreements for

networking and telecommunications standards through the North American ISDN User's Forum and the Open System Environment Workshop, which NIST sponsors. Because networking and communications standards contain many options and undefined conditions, implementation agreements are needed to enable industry to develop products that will interoperate. Much work needs to be done to develop critical standards for security and for network control and management. Measurement standards for the semiconductor and electronics industries are at the research and development phase.

Biotechnology

QUESTION:

You are requesting an increase of \$4.25 million in the area of biotechnology. How much is in your base for this initiative?

ANSWER:

The current base budget for biotechnology is \$5.4M, which provides the research infrastructure and advanced measurement capabilities that are the core of the program. The requested increase will allow NIST to build on these core capabilities and focus on the standards, quality assurance, new technologies for biomanufacturing, and advanced methods for new product design needed by industry for accelerated commercialization of bioproducts and for improved product quality and yield.

QUESTION:

How does the NIST biotechnology program relate to other biotechnology programs being carried out by other Federal agencies? What is the interaction with the National Oceanic and Atmospheric Administration (NOAA) on this initiative?

ANSWER:

The NIST program focuses uniquely on 1) measurements, quality assurance, and standards needs in the biotechnology sector, 2) generic technologies, such as separation and purification, needed in biomanufacturing, and 3) advanced applications of biotechnology in the development of novel materials, biosensors, and products such as biomolecules that are engineered for specific applications. These activities, particularly advanced measurement methods, complement and may have impact on other Federal programs that focus on biomedical (NIH, FDA), agricultural (USDA), environmental (EPA), and marine and aquaculture (NOAA) applications of biotechnology. Strong interactions are maintained with NSF, which supports a wide range of biotechnology research in science and engineering. Because

of the close relationship between marine biotechnology and biomanufacturing/biosensors, close interactions are also maintained with NOAA through their Sea Grant program, and negotiations are underway on a memorandum of understanding that will formalize research collaborations.

Postdoctoral Fellowship Program

QUESTION:

You have asked for an increase of \$1 million to add 12 postdoctoral fellowships at NIST. What is the amount of funding in your base for this program, and how many fellows are currently on board?

ANSWER:

The base for the Postdoctoral Fellowship program for FY 1995 is \$6.5 million. Program costs include salaries, benefits, supplies, travel, transportation, and overhead expenses.

Currently, there are 55 Postdoctoral fellows on board. Appointments are made for a two-year duration which begins at or near the start of the fiscal year. Twenty-five postdocs are in the second year of their appointment and thirty are in their first year.

QUESTION:

At a time when the rest of the government is trimming personnel, what is the justification for bringing on new post graduate students at NIST?

ANSWER:

The increase in the Postdoctoral Fellowship program parallels the increases in the NIST laboratory programs to enhance technology development and commercialization. This program provides a select group of young scientists and engineers an opportunity to pursue state-of-the-art research related to the NIST mission and provides NIST an effective method for identifying and retaining high quality scientists and engineers. The Postdoctoral hiring fits within the planned laboratory program staffing increase of 5 percent by FY 1995.

International Trade and Standards

QUESTION:

You are requesting an increase for international trade, standardization, and measurement services (\$4.7 million). I understand that you plan to make some changes in the international standards program -- could you summarize those changes?

ANSWER:

The current international standards program supports two standards experts to represent U.S. interests overseas. This program will be enhanced by the following activities:

- Design and establish a comprehensive, computerized database and standards information network to improve the timeliness and completeness of tailored data for specific products and markets of interest to U.S. manufacturers and exporters.
- Expand the standards assistance program by assignment of full- and part-time experts in key market areas in Europe, Asia, and the Americas. These experts will be professional NIST staff in major market areas and local experts in smaller, emerging market areas.
- Establish training and education programs in the United States to promote U.S. standards and conformity assessment procedures with selected groups of representatives from such countries as Mexico, Russia, and China, with cooperation and assistance of the U.S. private sector.
- Conduct regional training abroad, with participation from the U.S. private sector, to promote the acceptance of U.S. standards and conformity assessment procedures, featuring attendance of representatives from many countries in selected areas.
- Implement provisions of the North American Free Trade Agreement (NAFTA).
- Establish a program for Russian acceptance of NIST laboratory accreditations for products traded under the Russian Consumer Protection Law.

QUESTION:

How do those changes affect the current NIST standards programs in Saudi Arabia and Brussels (European Community)?

ANSWER:

The proposed programs extend those in current operation, with continued support by NIST for the standards expert in Saudi Arabia. The private sector will continue to contribute to this program by providing expertise targeted to specific needs, either by correspondence or by occasional short-term visits. U.S. needs in the EC pertaining to technical directives and related policies will be served by other mission and embassy staff in Brussels whose proposed training will leverage the efforts of the current standards expert.

QUESTION:

You plan to train Foreign Commercial Service (FCS) and State Department personnel on standards and trade issues. Please tell the Committee more about this proposal. What are the goals of this training, and how will NIST ensure that the objectives of the program are being met?

ANSWER:

The objective of this training is to supplement the stationing of standards experts at selected U.S. Embassies and Missions by educating FCS and State Department personnel in general standards and conformity assessment matters whenever possible prior to their departure to foreign posts; by attending regional conferences of Senior Commercial Officers to discuss standards-related matters; and by visiting officials at U.S. posts abroad whenever NIST standards experts travel to foreign countries. In addition, all new standards-related publications will be sent to posts when issued. We recognize, however, that Commercial and Economic Officers are generally occupied with their normally assigned duties; hence, they can be expected to offer limited assistance in the standards area. As a result, a major impact of this training will be to inform these officials whom to contact for additional information and assistance.

National Conference on Weights and Measures

QUESTION:

Your budget justifications (page 171) refer to the work of NIST with the National Conference on Weights and Measures (NCWM). Please tell the Committee what the mandate of the Conference is. What is NIST's role in supporting this group?

ANSWER:

The United States is unique among the nations of the world with respect to its system of legal metrology for trade. The accuracy, precision, and deterrence of fraud in measurements made for commercial exchange is, by and large, regulated by State and local authorities. Weights and measures officials have the responsibility of ensuring commercial equity between buyers and sellers. They enforce laws and regulations governing packaged goods and measurement devices such as scales, gasoline pumps, taxi meters, and fuel oil meters, in both retail and wholesale trade. NIST sponsors and provides the Secretariat for the National Conference on Weights and Measures (NCWM), a voluntary standards-development organization. Neither NIST nor NCWM has regulatory authority in this area. However, NCWM standards are recommended for adoption by Federal, State and local jurisdictions as codes and regulations. All 50

States have adopted NIST Handbook 44 as recommended by the NCWM as standards governing weighing and measuring devices. NIST staff act as technical advisors to the NCWM standards-developing committees. NIST accredits and oversees the measurements made by the State weights and measures laboratories. NIST provides technical advice and assistance in laboratory metrology and technology transfer methods to agencies responsible for maintaining equity in marketplace transactions based on measurements.

The objectives of the National Conference on Weights and Measures are:

- To provide a national forum for the discussion of all questions related to weights and measures administration as carried on by officials of the Federal Government and regulatory officials of the States, Commonwealths, Territories, and Possessions of the United States, their political subdivisions, and the District of Columbia.
- To provide a mechanism to establish policy and coordinate activities within the Conference on matters of national and international significance pertaining to legal metrology.
- To develop a consensus on uniform laws and regulations, specifications, and tolerances for weighing and measuring devices, and on testing, enforcement, and administrative procedures.
- To encourage and promote uniformity of requirements and methods among jurisdictions.
- To foster cooperation among regulatory officers themselves and between them and all of the many manufacturing, industrial, business, and consumer interests affected by their official activities.

QUESTION:

What is the level of resources in your current budget relating to the work with the NCWM and the various state Weights and Measures offices? How does the FY 1995 request compare to FY 1994 and FY 1993? Does the NCWM consider this to be an adequate level of support?

ANSWER:

At the beginning of the calendar year 1994, the NCWM did not think the current level of support for the Conference was adequate. The NCWM believes NIST's role to be critical in international and national coordination and not achievable by the NCWM alone. In FY 1994, four professional staff FTEs will be added to the 6.5 professional staff FTEs in FY 1993 to enable testing of

U.S. device prototypes against the International Organization for Legal Metrology (OIML) standards to permit the introduction of these devices into international commerce. In FY 1995, 1.5 professional staff FTEs will be added to address training and communications needs. Base funding in FY 1993 was \$1.0 million, increasing to \$1.5 million in FY 1994. The FY 1995 request will bring funding to \$1.8 million. It is expected that this increase will be a significant improvement in the level of support for the Conference by NIST.

Request to OMB

QUESTION:

What was your original request to OMB for all of your accounts and activities, what specific items were eliminated from your request, and what will be the impact of these reductions on NIST's ongoing operations? Please provide details for the record.

ANSWER:

The attached table illustrates NIST's request to OMB and the changes made before submission to the Congress. The results of the reductions in STRS will be to temper the rate of increase to NIST measurement research programs that support industry as NIST progresses in its approved plan to double the in-house Budget. In ITS, the reductions in ATP and MEP will slow the rate at which NIST-supported extension centers progress to the 100-center level by 1997 and the rate of increase in resources available for the ATP awards program to reach \$750 million in 1997. The reduction in the CRF request will extend the length of the construction period.

Facilities Proposal

QUESTION:

You are requesting \$100,000,000 for the Construction of Facilities account for FY 1994. What is the current status of the facilities work?

ANSWER:

Contracts have been awarded to Henningson, Durham, and Richardson, Inc. (HDR) for design architectural and engineering services and to CRSS Construction, Inc., for construction management services.

The agreements with HDR and CRSS are umbrella contracts covering services for the full ten years of the CIFP. Within this framework, a number of delivery orders have been or will be awarded shortly. These include A&E and construction management services for the design of the

National Institute of Standards and Technology
FY 1995 Budget Requests to OMB and Congress
(Dollar amounts in thousands)

<u>Appropriation/Budget Subactivity/Program</u>	Total OMB Request	President's Request to Congress
<u>Scientific and Technical Research and Services:</u>		
Electronics and Electrical Engineering	\$31,091	\$30,003
Manufacturing Engineering	35,529	32,275
Advanced Manufacturing	[20,900]	[18,000]
Chemical Science and Technology	33,389	32,809
Biotechnology	[5,000]	[4,250]
Environmental Technologies	[5,000]	[4,950]
Physics	27,242	27,522
Materials Science and Engineering	64,534	61,719
Advanced Materials and Processing	[16,800]	[16,800]
Building and Fire Research	13,010	13,245
Computer Systems	71,520	68,463
Information Infrastructure	[33,800]	[38,304]
Applied Mathematics and Scientific Computing	7,090	7,271
Technology Assistance	14,679	14,667
International Trade, Standardization, & Measurement Services	[4,000]	[4,700]
Research Support Activities	27,340	28,066
Math and Science Postdoctoral Fellowships	[1,000]	[1,000]
Total, STRS Request	325,424	316,040
<u>Industrial Technology Services:</u>		
Advanced Technology Program	467,944	451,000
Technology Transfer and Outreach		
Manufacturing Extension Partnership	90,330	61,065
Quality Program	6,895	6,895
Total, ITS Request	565,169	518,960
<u>Construction of Research Facilities:</u>		
Construction and Major Renovations	110,392	100,000
Facilities Technical Obsolescence	[43,314]	[32,922]
Total, NIST Request	1,000,985	935,000

NOTE: STRS and CRF amounts in brackets represent program initiatives requested in the FY 1995 budget process.

Gaithersburg and Boulder Advanced Technology Laboratories (ATLs), the Boulder Central Plant, and the vibration isolation and temperature control research projects, and initiation of the Renovation Master Plan.

QUESTION:

How much has been obligated to date for A&E work on the Gaithersburg and Boulder facilities?

ANSWER:

In FY 1993, \$2 million was obligated for A&E work. Another \$2.8 million has been obligated in FY 1994, and an additional \$21.6 million for A&E work is expected to obligate in late April or early May. An additional \$28.6 million is expected to be obligated in FY 1994 for construction of the Boulder Central Plant, expansion of the Gaithersburg Plant, construction management services, and temperature and vibration testing.

QUESTION:

Have any studies been completed?

ANSWER:

The following studies have been completed for both Gaithersburg and Boulder.

- Preliminary Geotechnical Studies
- Initial Vibration Studies
- Aerial Surveys
- Programming for ATLs
- Cost Models for ATLs
- Design Criteria for ATLs
- ATL Design and Site Options
- State-of-the-Art Facilities Evaluation in U.S. and Europe

QUESTION:

What remains to be done in A&E studies for the facilities modernization program?

ANSWER:

The following studies and designs are underway and will be completed for both Gaithersburg and Boulder.

- Detailed Design for ATLs
- Detailed Site Surveys
- Environmental Studies
- Vibration Testing and Analysis for Existing Facilities
- Detailed Geotechnical Studies for Existing Facilities
- Renovation Master Plans

- Detailed Renovation Programming
- Detailed Renovation Planning and Design
- Detailed Design for the Vibration Isolation and Temperature Control Research Projects

The following studies and designs are underway and will be completed in Boulder.

- Detailed Geotechnical Studies for Boulder Central Utility Plant and Utility Distribution Systems
- Detailed Design for Central Utility Plant and Utility Distribution System

QUESTION:

Will additional funds for A&E be required after FY 1994?

ANSWER:

Additional funds are included in our FY 1995 request and more will be requested in FY 1997 for the design work associated with the renovation projects.

QUESTION:

Have there been any changes in the proposed costs of the facilities modernization proposal?

ANSWER:

There has been some estimated cost shifting within our total plan, but the total project is still estimated to be \$540 million.

QUESTION:

Please provide for the record an updated timeline for completion of the facilities modernization proposal for each NIST site.

ANSWER:

The timeline for completion of the facilities modernization proposal is as follows:

Gaithersburg:

Construction of the Advanced Technology Laboratory (ATL) is scheduled to begin around mid-year in FY 1995 and be ready for occupancy in FY 1997. During the same period selected renovations of Buildings 222 and 225 will also be accomplished. Major renovation to Building 220 is scheduled to begin the end of FY 1997 and be ready for occupancy in FY 1999. Major

renovation to Building 221 will begin in late FY 1999 and be ready for occupancy mid-year FY 2001.

(See attached graph.)

Boulder:

Construction of the new Central Utility Plant (CUP) will begin in early FY 1995 and be completed in FY 1996. The new ATL construction is scheduled to begin towards the end of FY 1995 with occupancy expected in FY 1997. During the same period, selected renovation of Building 2 will be accomplished. With the completion of the ATL, selected renovations by wing of Building 1 will begin.

(See attached graph.)

QUESTION:

Have there been any other changes in your plans for modernization that may impact the costs and timeframe for completion of this proposal?

ANSWER:

No, we are still progressing as planned.

Personnel Increases

QUESTION:

What is the total number of new positions being requested in the FY 1995 NIST budget under all appropriation accounts?

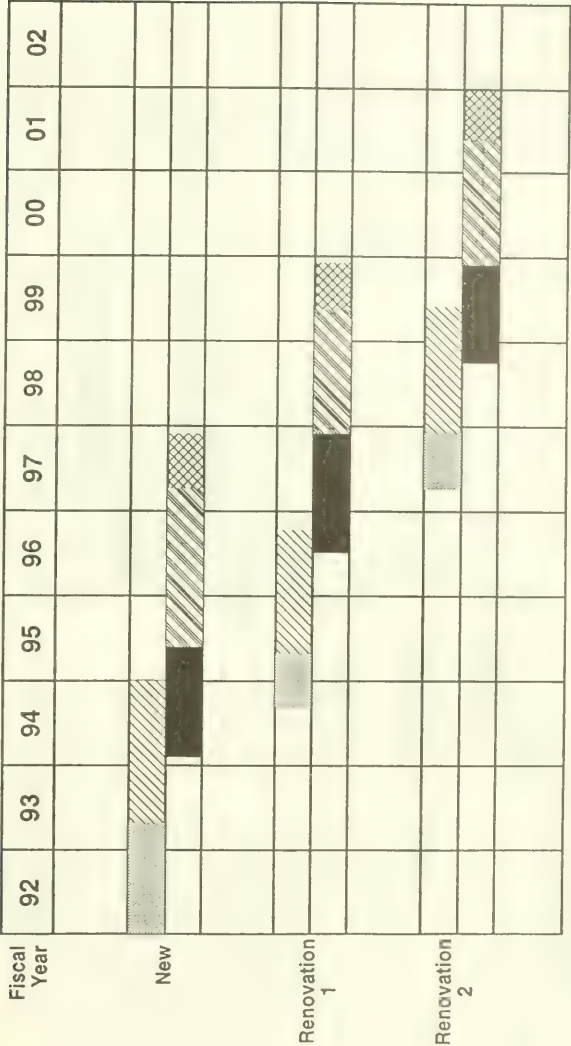
ANSWER:

The total number of new positions under the appropriated accounts in the NIST Budget is 207. A reduction of 35 is reflected against these accounts as NIST's share of the FTE savings proposed by the administration. A reduction of 15 positions was also assigned to NIST reimbursable activities under this proposal. One position was transferred to the Department of Commerce. The net increase in NIST positions for all activities is, therefore, 156.

QUESTION:

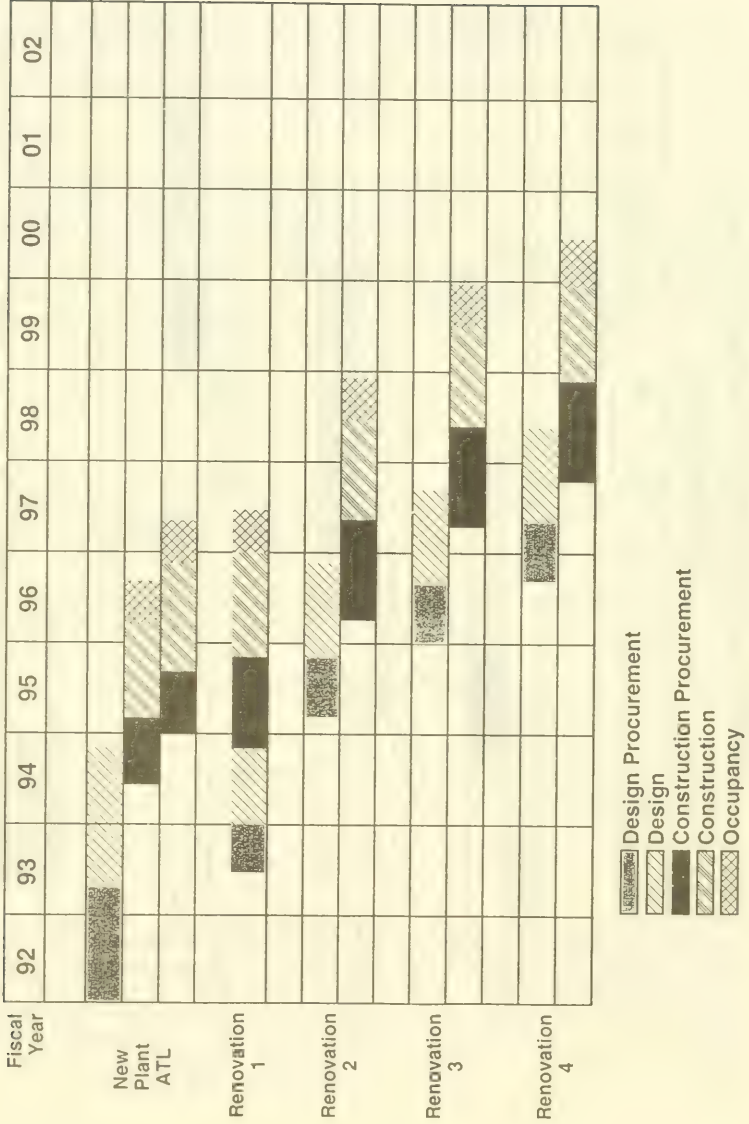
What is the average grade of those new positions? How does that average grade compare to the average grade of your existing positions?

NIST Capital Improvement Plan Gaithersburg



- Design Procurement
- Design
- Construction Procurement
- Construction
- Occupancy

NIST Capital Improvement Plan Boulder



ANSWER:

The average grade of the new positions is 14.14 as compared to an average of 11.37 for existing positions. The average grade for existing positions includes a higher portion of administrative support and is, therefore, lower than the NIST average grade for new scientific positions.

QUESTION:

What is your current authorized level of permanent positions, and how does that compare to your on-board strength?

ANSWER:

The current level of authorized positions for FY 1994 for the appropriated accounts is 2,078. This figure includes 279 positions to staff the FY 1994 expansion programs. Approval to proceed with FY 1994 expansion efforts was granted in January of 1994, and the Operating Managers are proceeding to fill these positions. Current on-board strength is 1,750. The difference is due to normal lapse in the replacement of employee turnover and the late start in getting approval for and staffing the FY 1994 budget initiatives.

QUESTION:

Your budget justifications would indicate that more than 250 positions in NIST are now vacant. What is the reason for this high rate of vacancies, and what steps are you taking to bring people on as quickly as possible?

ANSWER:

NIST did not really begin to staff up to FY 1994 programs until January 1994. This process includes the conversion of personnel from reimbursable programs underway, as those projects phase out, to the programs approved in the FY 1994 initiatives and the recruitment of new employees to staff the expansion efforts. NIST is aggressively staffing the new initiatives. The FY 1994 Budget Request reflected a 25 percent lapse assuming staffing would really begin in the second quarter of the fiscal year. The normal lapse in the turnover of on-board staff is 5 percent and accounts for over 100 of the vacancies. These lapsed positions are unfunded. The difference between authorized positions and current on-board strength is within the expected range.

"Clean Car" Initiative

QUESTION:

Your budget justification refers to the Partnership for a New Generation of Vehicles (PNGV), otherwise known as the "Clean Car" initiative. What are the goals of this initiative, and who are the other "partners"?

ANSWER:

The project aims at three closely related objectives, two of them near-term and one longer-range. The PNGV goal in the area of Manufacturing is to pursue advances in manufacturing techniques that can reduce the production costs and product development times for all car and truck production. The goal in Near-Term Advances is to pursue advances in vehicles that can lead to increases in the efficiency of standard vehicle designs, reduce emissions and improve safety. The Long-Term: Next Generation Vehicle goal is to develop a revolutionary new class of efficient, environmentally friendly vehicles to meet consumers' needs for safety, quality, performance, utility and affordability and achieve up to three times the fuel efficiency of today's comparable vehicle. The objective is to achieve a first prototype of this Next Generation Vehicle within a decade.

The Government partners include the Departments of Commerce, Defense, Energy, Transportation, the Environmental Protection Agency, NASA, the National Science Foundation with policy support from the Office of the Vice President, the Office of Science and Technology Policy, the Office of Management and Budget, the National Economic Council, and the Office of Environmental Policy. The industry partner is USCAR, a consortium of Ford, General Motors and Chrysler. This is not, however, designed to be an exclusive partnership. Participation by all the best available U.S. talent, regardless of affiliation, will be important to the achievement of the project's goals. The partnership intends to create opportunities for suppliers and organizations outside the usual automotive supply chain to participate.

QUESTION:

Why was the Commerce Department selected for the lead on this Administration initiative, instead of the Department of Transportation? Are other Federal agencies involved in this initiative? If so, what level of resources are those agencies contributing?

ANSWER:

Commerce has been given the lead for Civilian Technology. It has a history of working with industry and was positioned to coordinate the government and industry work to maximize the cooperation and minimize the time required to get the partnership underway. The Under Secretary for Technology also chairs the Civilian Industrial Technology Committee of the President's National Science and Technology Council (NSTC); thus, has a broad oversight of Federal government activities affecting this effort. Most of the Federal support for the R&D activities will come from DOE, DOD, DOC and NASA. Other Federal agencies involved in this effort are listed in the previous question.

At this time, the level of resources to be applied to the PNGV cannot be specified. We are currently completing the detailed program plans in the three goals; when that is completed, the existing U.S. government inventory will be reviewed to determine what existing activities fit the program. There are about \$250 million of current government activities that are in some way, either directly or indirectly, related to the goals of the initiative. The overall level of activity in 1994 and the projected level for 1995 will be finalized within the next two to three months.

QUESTION:

What is the level of resources you are devoting to this initiative in FY 1994? What is planned for FY 1995? What is the total funding (government and private sector) being devoted to this initiative? Please provide a chart for the record indicating the funding requirements by fiscal year for the planned duration of this project.

ANSWER:

At this time, the level of resources to be applied to the PNGV cannot be specified. We are currently completing the detailed program plans in support of three goals; when that is completed, the existing U.S. government inventory will be reviewed to determine what existing activities fit the program. There are about \$250 million of current government activities that in some way, either directly or indirectly, are related to the goals. At this time, no chart is available for the record. However, we will be able to provide program details as soon as the inventory is completed and the program elements have been clearly defined (within the next two to three months).

QUESTION:

What was the process for selecting the automobile industry for this initiative? Has the Administration developed

criteria for determining the feasibility of specific projects for competitiveness initiatives?

ANSWER:

The President in his initial review of technology areas of opportunity made the decision based on the major impact of the automobile industry on the economy, since approximately 1 out of 10 jobs are based on this industry, and the social importance of this area for a cleaner environment and increased fuel efficiency. Automotive technology is also an area of heavy emphasis around the world and U.S. leadership must be maintained in the emerging technology areas to be competitive in both home and world markets.

The criteria for choosing competitiveness technology targets are being developed by the Civilian Industrial Technology Committee of the NSTC in consultation with industry. The criteria include: windows of opportunity, emerging technologies that may replace existing technologies, and industrial support and willingness to cost share activities.

QUESTION:

Does this initiative allow for the participation of foreign companies? Is it not true that the Japanese have already developed technology advancing the fuel efficiency of cars? If so, why should the U.S. devote such substantial resources just to reinvent the wheel?

ANSWER:

The PNGV is a partnership between the Federal government and U.S. Car, a private sector organization that represents the U.S. auto industry. The Partnership is in the preliminary stages of defining the research program and means of carrying out the program. According to the Declaration signed last year, the government and industry will broadly solicit technology sources that have a potential to advance the goals of the initiative in order to ensure that the auto industry leads the world in technology, preserves and creates high-quality jobs and promotes economic growth.

Our best information on Japanese technology is that they are at about the same stage as U.S. manufacturers, although they seem to be behind in some of the emerging technologies in batteries and propulsion systems such as fuel cells. However, they are increasing their programs and beginning to build prototype electric and hybrid vehicles. However, none of these prototypes meet the goals of PNGV.

Manufacturing Competitiveness Programs

QUESTION:

You are requesting increased resources for the manufacturing competitiveness program. Part of this increase is related to quantitative assessments of manufacturing performance relative to international competition. Your budget justification (page 24) indicate that industry will set the agency for the benchmarking evaluations. What will be the process for involving industry in these evaluations?

ANSWER:

Industry will actively participate in the evaluation, with coordination of the industry input likely through industrial and professional associations. Specific workshops will also be organized in the field and provide opportunity for direct input from individual companies. Special emphasis will be placed on interactions with manufacturing vice presidents and plant managers rather than R&D vice presidents.

QUESTION:

How many evaluations will be done in FY 1995, and for what industries? Is there a comprehensive plan for addressing all industries in this program?

ANSWER:

The manufacturing assessment, which is part of the manufacturing competitiveness initiative initially aims to develop information concerning the identity and characteristics of America's manufacturing sector and the relation of this sector to economic issues, e.g., gross job creation/destruction, net employment change and sustained regional economic growth. There will be one overall manufacturing assessment of the health of the U.S. manufacturing sector with separate benchmarking evaluations. The assessment will also include a better characterization of some 360,000 small and medium-sized manufacturers in the U.S. For example, how many are dependent on metal forming and cutting technologies, how many on polymer processing technology, how many on batch processing of materials and chemicals, etc. This information is vital to our planning for the next increase in Manufacturing Technology Centers and Manufacturing Extension Services. The assessment of the "state-of-the-art" in manufacturing technology in the major industry sectors should also provide guidance for identification of strategic technology areas for focused Federal R&D investments.

Much of the underlying data for manufacturing assessment is available from agencies within the Department of Commerce, particularly the Economics and Statistics Administration. However, the data needs to be organized and analyzed to provide value-added information. Although we hope to get a good characterization of U.S. manufacturing in the first year, the detailed benchmarking will need to be done by industry segment. Clearly, not all industry segments can be done in year one. Priorities will be established through an economic-based procedure being developed to identify the most appropriate industries for further evaluation. In addition, we will look to industries to "bring themselves together" via some organization, and be prepared to actively support and participate in the evaluation process. Those industries to be evaluated first will be selected that have made this initial step.

QUESTION:

The next step, according to your justifications, will be the development of strategic roadmaps to set goals for manufacturing. Will this be done for each industry you evaluate? Again, what is the timeline for the development of these roadmaps?

ANSWER:

Each industry will not necessarily be evaluated. However, "roadmaps for technology development" will be done in association with industry in those areas where the U.S. government/industry group feel it will be most valuable. Timelines for the roadmapping process will be developed further into the benchmarking process, after the identification of specific industries.

QUESTION:

Will industry contribute to the costs of conducting and carrying out these initiatives? Will other Federal agencies be involved?

ANSWER:

Yes, industry will also support these initiatives. This will be a multi-agency process to the maximum extent possible, with some other coordination through the NSTC-CIT.

Technology Competitiveness

QUESTION:

You have another initiative titled "Technology Competitiveness" which also refers to the enhancement of competitiveness through benchmarks and roadmaps for

specific industry sectors. How does the Technology Competitiveness initiative differ from the Manufacturing Competitiveness program?

ANSWER:

The benchmarking activities undertaken by the Technology Competitiveness staff are of a broad nature, intended to provide a comprehensive framework for the assessment of the competitiveness challenges facing U.S. industry. It will consider economic, financial and government policy issues affecting U.S. industry, as well as issues relating to the technologies that are essential ("core" or critical technologies) to the profitable operation of industry. Manufacturing technologies will be one of a number of "core" technologies of interest in this broader study.

By way of contrast, the manufacturing assessment, which is part of the manufacturing competitiveness initiative, initially aims to develop information concerning the identity and characteristics of America's manufacturing sector and the relation of this sector to economic issues, e.g., gross job creation/destruction, net employment change and sustained regional economic growth. This assessment will provide a focus for deploying manufacturing technology and the best business practices when and where applicable to promote manufacturing competitiveness.

QUESTION:

How will specific industries be selected for these evaluations? Will the process be similar to that for the manufacturing sector, and will the two programs complement one another?

ANSWER:

The initial focus of the Technology Competitiveness benchmarking exercise will be to construct the broader intellectual framework in which meaningful industry benchmarking can occur. For that reason, the initial work is likely to focus on many industry sectors. These industries are likely to be those that have a substantial technology (i.e. knowledge) content and that have been important focuses of international competition.

As stated in the previous question, the processes are interrelated and are meant to complement each other.

Access to Foreign Science and Technology

QUESTION:

How have recent trade agreements such as NAFTA and GATT addressed the issue of foreign science and technology?

ANSWER:

With respect to the NAFTA and the GATT, we are not aware of any specific references to the issue of foreign science and technology.

U.S.-Japan Manufacturing Technology Fellowship

QUESTION:

The Committee provided the \$500,000 you requested for establishing the U.S.-Japan Manufacturing Technology Fellowship Program in FY 1994. What is the status of implementing this program? What has been the response of the private sector to the proposal?

Answer:

Industry interest is extremely high in the MTF Program which was created in response to U.S. industry's need to learn more firsthand about Japanese manufacturing practices. We have 29 MTF Fellows in Japan working at 21 Japanese companies. These manufacturing engineers come from leading U.S. companies such as Motorola, Ford, Texas Instruments and Wizdom Systems. They arrived in Japan in January after spending the fall learning about Japanese language and culture at Vanderbilt University and the Massachusetts Institute of Technology.

Applications for the second year of the program are currently being accepted. The deadline is earlier this year so that the fellows may be trained during the summer which will be critical as the number of fellows increases during the third year of the program. This is necessary in order for the universities to accommodate larger numbers at their training centers, which is impossible during the school year. After the second-year candidates are matched with Japanese companies, they will begin training in June and arrive in Japan in October. We already have heard from many companies who plan to send applications for the third year. We expect a big increase in applicants in the FY 1995 as more companies learn of the opportunity, the good experience of the first group of engineers becomes known upon their return to the United States, and we have a full year to publicize and recruit.

QUESTION:

What is the total amount requested in this budget for the U.S.-Japan Manufacturing Technology Fellowship Program?

ANSWER:

The FY 1995 the total amount requested is approximately \$1,125,000.

Japan Technology Program

QUESTION:

You also refer to the expansion of the Japan Technology Program. How does this program work, and what is the current level of resources devoted to this program in FY 1994? What is the total amount requested for FY 1995?

ANSWER:

The Japan Technology Program carries out the mandates of the Japanese Technical Literature Act of 1986, and the U.S.-Japan Science and Technology Agreement for the U.S. Department of Commerce. Its mission is to help U.S. industry and researchers acquire and utilize Japanese scientific and technical information. It uses a mix of three types of activities, all of which are interrelated and dependent on one another.

These activities include: 1) collection and dissemination of published information, in both Japanese and English, commissioned research studies and business counseling on how to monitor Japanese S&T developments; 2) helping U.S. companies develop personal contacts through the Manufacturing Technology Fellowship Program, and conferences; and 3) negotiating balanced terms for collaborative arrangements such as the Intelligent Manufacturing Systems Program and other projects under the U.S.-Japan Science and Technology Agreement.

Current resources devoted to the Japan Technology Program is around \$1 million, of which approximately \$500,000 is specifically for the MTF Program. The increase requested in FY 1995 for the Japan Technology Program is approximately \$1.3 million.

QUESTION:

In light of the stalemate on the "Framework" negotiations with Japan, what is the potential for achieving the goals of this program?

ANSWER:

There remains great potential for success. There also is growing interest and recognition in the United States about the importance of monitoring foreign science and technology, particularly in Japan and other regions of Asia. There is also growing sophistication in the means to disseminate and access information, e.g., electronic databases.

The Framework/Common Agenda negotiations have provided an excellent opportunity to raise awareness of bilateral S&T issues, and to accelerate the acceptance of initiatives

already pending in long-term, ongoing bilateral forums such as the U.S.-Japan S&T Agreement. These initiatives include a comprehensive set of new joint activities between MITI and the Commerce Department, i.e. to provide improved information access for foreign researchers through new databases and publications, and a new facility to provide housing and assistance for those doing research in Japan. These existing forums provide needed continuity and an implementation mechanism for any initiatives resulting from the Framework and for furthering the existing programs and goals of the Japan Technology Program.

Intellectual Property Rights Program

QUESTION:

Part of your requested increase is to allow the Technology Administration to serve as more active participant in negotiations on R&D initiatives within the foreign governments with regard to intellectual property rights (IPR) issues. How will the role of Technology Administration differ from the role of the Patent and Trademark Office (PTO) on these negotiations?

ANSWER:

The Technology Administration (TA) has the lead responsibility within the Commerce Department for reviewing all international science and technology agreements that are negotiated or renewed by the U.S. Government with foreign countries. These agreements can include major R&D initiatives as well as more limited scientific and technological research. TA is solely responsible for developing and defending the Department's final position on such agreements and representing the Department's interests in the direct negotiation of major agreements such as with Germany, France or Spain. TA coordinates the review of such agreements with other interested parties within the Department, including the Patent and Trademark Office (PTO) which TA consults on intellectual property rights (IPR) matters related to these agreements. However, most of the IPR issues that arise in these agreements are related primarily to questions of the appropriate allocation of such rights, an issue that is within TA's sphere of responsibility and not PTO's.

Request to OMB

QUESTION:

What was your initial request to OMB for each Technology Administration account, what items were eliminated from your request, and what will be the impact of these reductions on your ongoing operations? Please provide a detailed breakout of this request for the record.

ANSWER:

The request for the US/OTP to OMB was \$15.0 million with a passback of \$11.3 million. The effect was to scale back and eliminate lower priority elements of each initiative. NTIS did not request appropriated funds and received an \$18 million passback. The NIST request to OMB was \$1,001 million and the OMB passback was \$935 million. The NIST detail and illustrative table is attached.

Status of Authorization

QUESTION:

What is the status of your authorization for fiscal year 1995? Are there any major changes proposed in your mandated responsibilities from previous years?

ANSWER:

TA's FY 1995 authorization is contained in legislation that has passed both the House (HR 820) and Senate (S 4), and is awaiting conference committee. HR 820 provided for TA in FY 1995 an authorization of \$920 million. S 4 provided a combined FY 1995 and FY 1996 authorization of \$1.9 billion.

The provisions of HR 820 and S 4 include a number of significant responsibilities for TA consistent with the President's civilian technology initiatives, although specific language varies between the two bills on a number of items. Among these significant responsibilities are the following:

- Sets out the Agency's role in establishing manufacturing and civilian industrial technology policy for the federal government, and includes the establishment of a civilian technology advisory board.
- Supports the President's goal of an expanded Advanced Technology Program, an effective example of a government-industry partnership to promote high risk enabling technologies.
- Creates a comprehensive manufacturing extension program, building a national network of manufacturing technology centers, manufacturing outreach centers, and the State Technology Extension Program (STEP) and deletes the prohibition on federal funding after the sixth year of operation for the centers, while allowing for additional funding subject to positive evaluations every three years.

National Institute of Standards and Technology
 FY 1995 Budget Requests to OMB and Congress
 (Dollar amounts in thousands)

<u>Appropriation/Budget Subactivity/Program</u>	<u>Total OMB Request</u>	<u>President's Request to Congress</u>
<u>Scientific and Technical Research and Services:</u>		
Electronics and Electrical Engineering	\$31,091	\$30,003
Manufacturing Engineering	35,529	32,275
Advanced Manufacturing	[20,900]	[18,000]
Chemical Science and Technology	33,389	32,809
Biotechnology	[5,000]	[4,250]
Environmental Technologies	[5,000]	[4,950]
Physics	27,242	27,522
Materials Science and Engineering	64,534	61,719
Advanced Materials and Processing	[16,800]	[16,800]
Building and Fire Research	13,010	13,245
Computer Systems	71,520	68,463
Information Infrastructure	[33,800]	[38,304]
Applied Mathematics and Scientific Computing	7,090	7,271
Technology Assistance	14,679	14,667
International Trade, Standardization, & Measurement Services	[4,000]	[4,700]
Research Support Activities	27,340	28,066
Math and Science Postdoctoral Fellowships	[1,000]	[1,000]
Total, STRS Request	325,424	316,040
<u>Industrial Technology Services:</u>		
Advanced Technology Program	467,944	451,000
Technology Transfer and Outreach		
Manufacturing Extension Partnership	90,330	61,065
Quality Program	6,895	6,895
Total, ITS Request	565,169	518,960
<u>Construction of Research Facilities:</u>		
Construction and Major Renovations	110,392	100,000
Facilities Technical Obsolescence	[43,314]	[32,922]
Total, NIST Request	1,000,985	935,000

NOTE: STRS and CRF amounts in brackets represent program initiatives requested in the FY 1995 budget process.

- Creates a benchmarking program to measure and monitor the state of U.S. R&D programs and S&T capabilities against foreign competition.
- Outlines a commitment to assure the continued quality of the American workforce as technology programs are implemented.
- Establishes a program to facilitate loan and equity financing for civilian technology.

QUESTION:

Please provide for the record a comparison of the various authorization proposals for technology programs and crosswalk that comparison with the Department of Commerce budget request for technology programs?

ANSWER:

TA's FY 1995 and 1996 authorization is contained in HR 820 and S 4. Both have passed and will go to conference. The following table provides a crosswalk between the FY 1995 request and the amounts included in the pending authorizations.

Depository Libraries

QUESTION:

You are requesting \$6,000,000 to provide a capital investment to approximately 100 of the 1,400 Federal depository libraries. Your budget justification states that this will be a competitive process for awarding grants. What will be the criteria for this competitive process?

ANSWER:

According to the Superintendent of Documents, about two-thirds of the depository libraries currently have some level of electronic capability but about one-third are inadequately equipped. We have invited the Superintendent of Documents and the Depository Library Council to work with NTIS in the selection process to ensure that these grant monies are most effectively used to enhance the electronic information handling capabilities across the system. We do intend to ensure that at least one library in each state receives funding.

QUESTION;

How will the funds be used by the libraries? Is there any other Federal funding source for these depository libraries? If so, please elaborate.

Comparison of Authorization Amounts and Budget Estimates
(Dollar amounts in thousands)

	H.R.820 Auth		S.4 Auth		Budget Figures	
	FY 1994	FY 1995	FY 1994	FY 1995	FY 1994	FY 1995
US/OTP	\$5,425	\$10,000	\$6,000	\$11,300	Approp	Request
NTIS Revolving Fund						Target
NIST					\$5,700	\$11,262
STRS	242,988	300,000	240,988	320,000	...	18,000
ITS					226,000	316,040
ATP	193,489	198,000	200,000	475,000	199,489	451,000
MEP/STEP	33,035	153,000	40,000	70,000	30,235	61,065
Quality	[in MEP]	3,000	2,800	10,000	2,800	6,895
Subtotal	226,524	354,000	242,800	555,000	232,524	518,960
CRF	61,686	106,000	62,000	110,392	61,686	100,000
Total, NIST	531,198	760,000	545,788	985,392	520,210	1,089,000
DOC/TA						
Civ Tech Loan Program	1,000	20,000				
Civ Tech Dev Program	1,000	50,000				
Tech Finan Pilot Program ¹			2,000	50,000		
Benchmarking/Tech Monitoring	2,000	10,000	10,000	10,000		
Adv Mfg Tech Dev		50,000				
Am Workforce Qual Part		50,000				
Wind Engineering			1,000	3,000		
Environ Construc Program			1,000	3,000		
Tech Training Clearinghouse			2,000	2,000		
Intelligent Mfg Systems			2,000	4,000		
Subtotal	4,000	180,000	16,000	70,000		
Other						
Information Infrastructure						
Urban University Business Grants						
NSF						
		50,000	50,000	10,000		
	0	50,000	50,000	75,000		
Subtotal		1,000,000	50,000	103,000		
Total	540,623	1,000,000	617,788 ²	1,189,692 ²	525,910	1,100,262
NIST Floors:						
Non energy--related inventions	1,000	1,000	1,000	1,000		
Competence	9,000	10,000	8,034	8,113		
Sids Pilot Project	2,000	3,000	5,000	5,000		
TA Floor:						
Reserved for program evaluation		2,000		2,000		

¹The Pilot Project in S.4 includes loan and venture capital programs which are separate provisions in H.R.820.

²Sec. 105 of S.4 restricts total amount authorized by the bill to \$1.9B.

**FY 1995
US/OTP
Estimated Break-Out of Initiatives**

Manufacturing Competitiveness - \$1,692K

- o PNGV (\$750K)
- o NSTC - CIT (\$250K)
- o Manufacturing Study (\$250K)
- o Benchmarking and Roadmaps (\$442K)

Technology Competitiveness - \$1,873K

- o Benchmarking (\$1,124K)
- o Roadmaps (\$749K)

Access to Foreign Science and Technology - \$1,975K

- o IPR (\$100K)
- o US-Israel (\$400K)
- o MTF (\$~~4~~625K)
- o IMS (\$450K)
- o JTP - Japanese Technical Infor. (\$150)
- o Europe/Pacific Rim (\$150K)
- o Framework (\$100)

ANSWER:

The funds will be used by the libraries to invest in modernization through the one-time purchasing of the latest computer and telecommunications hardware, software and associated training. We do not intend to require any match contribution or commitment of follow-on funding. Accordingly, funds would not be provided for normal program operating expenses or demonstration projects.

Although the Government Printing Office receives an appropriation of about \$30 million per year to manage the Depository Library Program, to the best of our knowledge those funds have never been used to support infrastructure development within the Depository Libraries themselves.

The National Telecommunications and Information Administration (NTIA) has an Information Infrastructure Grants Program designed to stimulate the development of an information infrastructure that promotes public access and serves educational, medical and other social needs. While not specifically designed to support the depository libraries, they would be eligible to compete for a portion of NTIA's grant funds. However, NTIA requires an "in kind" contribution of between 25 and 50 percent for such grants which many of the less well-financed libraries could not afford.

QUESTION:

How many of the 1,400 libraries do you expect to participate in this grant competition? Will this funding, which you are requesting as a "one-time initiative", be sufficient to meet that demand?

ANSWER:

Of the total number of depository libraries, it is assumed that only one-third of those, or about 450 nationwide, lack the basic electronic access capabilities they need. Our current estimate is that the funds requested would support at least 100 depository libraries across the country. Consequently, these funds will be used to upgrade the capacity of those with severe disadvantage in their electronic access to information and to achieve some level of geographic equity. While this may not fulfill the entire demand it will ensure that everyone in the U.S. will be able to access FedWorld from at least one location within their home state.

Fugitive Documents

QUESTION:

One of the purposes stated for the request for depository libraries is to enable the libraries to "identify documents which have not been identified by the Superintendent of

Documents." What is the scope of this problem of "fugitive documents" that currently escape the GPO acquisition process?

ANSWER:

It is impossible to state with any certainty the scope of the so-called "fugitive" document problem. A document becomes "fugitive" to the depository libraries if it is not printed through GPO and the originator does not provide a copy to the Superintendent of Documents. One way this happens is when contractors or grantees produce documents on their own that are not required to be provided to the funding agency. No one knows the magnitude of such production but the NTIS capture mechanism under the American Technology Preeminence Act is expressly designed to address this problem.

While it is true that the NTIS regulations are focussed on scientific and technical information, the definition of "technical" should be broadly construed. In addition, as of 1987, according to GPO, fully 90% of the documents in the Depository Library Program of the Superintendent of Documents were classified as scientific or technical information.

By allowing the depository libraries "no charge" access to the NTIS monthly receipts from all sources, we expect the issue of "fugitive" documents will greatly diminish but never disappear.

QUESTION:

How far does this request go toward fully addressing the problem of fugitive documents?

ANSWER:

This funding request addresses the problem of fugitive documents primarily by providing at least 100 libraries with the ability to access the electronic system that NTIS is establishing for their benefit. However, none of the requested funds will support the development of that on-line system for the depository libraries. NTIS has committed to have the system available to the depository libraries by August 1, 1994 and is using its own funds for that purpose.

While the requested funds for NTIS investment will accrue to the advantage of the libraries as much as anyone, those funds were not requested specifically to address the problem of fugitive documents or to provide copies to the depository libraries.

QUESTION:

Was this request for funding coordinated with the Superintendent of Documents and the Depository Library Council? What steps are you taking to ensure their support and cooperating on this project?

ANSWER:

Due to the privileged nature of the Federal budget development process within the Executive Branch, the request for funding was not coordinated with either the Superintendent of Documents or the Depository Library Council. We have, since the President's FY 1995 budget request was released, consulted with both. In a letter to the Public Printer dated March 1, 1994 we have asked that a representative of the Superintendent of Documents and the Depository Library be named to work with NTIS on the selection process.

American Technology Preeminence Act

QUESTION:

What are the specific duties imposed upon the Commerce Department by the American Technology Preeminence Act (ATPA)? How far does this request of \$18,000,000 go toward addressing those requirements?

ANSWER:

There were two information dissemination sections of the American Technology Preeminence Act, Sections 108 and 506. Section 108 required each Federal agency to transfer to NTIS, in a timely manner, all scientific and technical information resulting from federally funded R & D activities, and called on the Department of Commerce to issue procedural regulations. Section 506 required the Department of Commerce to determine the feasibility of establishing and operating a Federal on-line information system at NTIS to serve as a comprehensive inventory of information disseminated by the Federal Government. Section 506 also expanded NTIS' statutory mandate to specifically include "producing and disseminating information products in electronic format"

Of the total request, roughly \$6 million would be transferred to the depository libraries, \$6 million would be used to expand the capacity and traffic management capability of the NTIS on-line information dissemination system called FedWorld, and \$6 million would be used to acquire new equipment necessary to enable NTIS to receive information from Federal agencies under the ATPA in virtually any format or media and to convert that information into the media or format that is appropriate for electronic storage and dissemination.

Thus, the \$12 million of this one-time investment request, which will be used by NTIS and the Department, will greatly accelerate the impact of the American Technology Preeminence Act. NTIS has no intention of seeking additional funds for the implementation of the requirements under that Act.

QUESTION:

Another \$6,000,000 of your request will be directed toward assisting other Federal agencies in complying with ATPA. Your justifications state that the challenge faced by NTIS is to permanently store the newly acquired information and to convert it from the format received to the format required to meet the public's and industry's needs. What steps are you taking to ensure that other agencies submit the material to you in a format providing you the greatest flexibility for conversion and storage?

ANSWER:

We have developed a set of guidelines, referenced in the procedures published in the Federal Register on January 3, 1994. These guidelines set forth the various formats that are preferred by NTIS in both print and non-print media. We are also conducting seminars for Federal agencies regarding the service that NTIS can provide and the new requirements under the American Technology Preeminence Act.

Nevertheless, NTIS recognizes that standardization of formats and media across government is unlikely to occur in the foreseeable future. Accordingly, a significant portion of the requested funds would be used to acquire the equipment that would enable NTIS to establish one place in government where information in the more frequently used formats and media, can be converted to information in a single electronic format for electronic storage and dissemination. NTIS will in turn produce that information in a format and media preferred by its customers.

We expect to see an increasing market demand for electronic products but a continuing market demand for paper and microfiche. Our objective is to provide industry and the general public with the information they need in a form they can use without imposing standards on the agencies and their contractors and grantees.

FedWorld

QUESTION:

You mention in your justifications the on-line locator service of NTIS called FedWorld. You are asking for another \$6,000,000 to upgrade FedWorld's capabilities in hardware, software, and communications. How will these funds be applied?

ANSWER:

The one-time \$6 million request for FedWorld will enable the system to grow in response to rapidly rising demand from agencies wishing to make their information accessible, and from the general public.

To meet this demand FedWorld must dramatically increase the number of simultaneous users it can serve, from a current maximum of about 120 to as many as 500, while maintaining high quality support, enhancing the user-friendliness of the system, and increasing the speed of access, within a rapidly growing electronic collection.

Specifically, FedWorld hopes to invest \$1.2 million on expanding communications access; \$1.2 million on specialized software packages and customized menuing software; and \$2 million for additional computing power. In order to provide stable and reliable service to the public, new space must be built that will provide the proper cooling, security, and fire protection, at \$500,000; and an offsite disaster preparedness facility will be established with a minimal computer and communications backup system for \$1 million. In the interest of ramping up staff capabilities rapidly, a one-time infusion of \$100,000 for training, above normal training expenditures, is sought as well.

QUESTION:

Who are the customers of FedWorld? How do these customers currently access the system, and how will that method of access change with an upgrade of the system's capabilities?

ANSWER:

Currently, FedWorld has about 60,000 registered users, with an average of 2,500 connecting on a given day. About 300 new users sign up each day. Over one-third of FedWorld users are from the private sector; about one-third are from the Federal government; and the remainder are from academia, state and local government, non-profit and other affiliations. Users are geographically distributed from every state, and in particular, users from rural communities tell us that FedWorld represents a uniquely convenient information resource for them.

FedWorld presently offers 60 channels of access for dial-up users, and about 30 each for Internet telnet and Internet ftp (file transfer protocol) users. During peak periods, the system currently operates near capacity, with some telnet users getting the equivalent of a busy signal. When a document of great public interest has been released, such as the President's Health Plan, all lines of access may be tied up.

FedWorld's user base is increasing rapidly and may be expected to increase faster as more agencies place their public information on FedWorld. Our goal with these funds is to be able to handle over 20,000 connects per day, with no loss of quality of service. In addition, we are reviewing packet-switching technologies and other means to reduce long-distance charges for users who must connect by telephone.

QUESTION:

Do FedWorld users currently pay for access to the system? How will these additional resources impact your ability to charge users for access to FedWorld?

ANSWER:

Access to FedWorld is provided to the public at no charge, and the vast majority of information on FedWorld can be viewed or downloaded at no charge. FedWorld recoups costs in two ways: (a) by charging back to the source agency the costs of making its information available online; or (b) by charging the end user for specific on-line products and services -- typically either documents or subscription services -- where the source agency believes that it is appropriate for the customers to pay for services.

The \$6 million will support FedWorld's development as a central source for a large collection of Federal information, ensuring needed "critical mass." This will enable FedWorld to amortize its costs over a larger number of services, and offer each individual service at increasingly cost-effective rates.

FY 1993 Appropriation

QUESTION:

We appropriated funding to NTIS in FY 1993 based on shortfalls occurring in the revolving fund. How have those funds been used, and are the management problems completely solved?

ANSWER:

The Congress appropriated \$8 million to the NTIS Revolving Fund in FY 1993. The Secretary reprogrammed \$200 thousand to finance other Department priorities. Of the remaining \$7.8 million, approximately \$5 million was used to repay customer deposits that NTIS had used in prior years and approximately \$800 thousand was obligated to begin the modernization effort. The remaining \$2 million has been set aside as working capital to be used by NTIS in the event the organization experiences low cash flow periods. All management problems that were identified during the Inspector General's Audit of 1989/1990 have been corrected

and a new management structure is in place. Audits of NTIS' financial statements have resulted in unqualified opinions for the past three years.

QUESTION:

Have all the funds appropriated for FY 1993 been spent? If not, please provide an explanation.

ANSWER:

As explained in the previous answer, \$6 million of the \$8 million appropriation has been obligated.

Questions Submitted By Congressman Skaggs

QUESTION:

You're requesting an \$88 million increase for your laboratory programs. But the House budget resolution cuts that increase to \$18 million. Could you give us some detail, in addition to that contained in your statement, on what you could do with the \$88 million?

ANSWER:

NIST's laboratory research program represents a critical element in the Nation's strategy for economic success in the 21st century. Every industry is built on basic infrastructural technologies. Semiconductor circuits too small to be seen cannot be manufactured without extraordinary control of dimensions and contaminants. Good products call for just the right materials, which in turn require efficient, accurate processing methods. The benefits from such enabling infrastructural technologies typically spread across whole industries, and the investments needed to produce them usually cannot be recovered by individual companies.

NIST measurement methods, property data, testing techniques, standards, and advanced instruments provide manufacturers with the tools they need to continuously improve their products. These enabling technologies also speed market acceptance of advanced technologies by giving buyers and sellers objective, technically sound methods for measuring product performance and characteristics. Unless these tools are constantly improved, the quality of U.S. products will fall behind those of other countries with better technology infrastructures.

Each year, NIST reallocates up to ten percent of its laboratory research funding to provide seed money for new activities. While this strategy has helped in keeping laboratory programs current, the Institute's overall resources have consistently fallen short of what is needed to fulfill industrial requests. Consequently, there is a large pent-up demand for NIST research that cannot be satisfied with reallocations.

The FY 1995 NIST laboratory initiatives build on smaller increases in FY 1994 to accelerate NIST results for five key technical areas (National Information Infrastructure, Advanced Materials and Processing, Advanced Manufacturing, Biotechnology, and Environmental Technologies), to open and expand foreign markets for U.S. technology, and to increase the number of postdoctoral appointments available at NIST to parallel overall increases in laboratory funding. Without these increases, NIST's ability to accelerate

research in these areas will only lead to a slowdown in U.S. industry's ability to effectively compete in the increasingly competitive world markets.

Personnel

QUESTION:

I realize that your office is playing an increasingly significant role in technology policy. But I see that you want to increase your staff from the 36 people you had on board as of December 31 to 63 people. That's an almost 80 percent increase, at a time when we're contemplating some pretty severe budget constraints. Can you tell us how you'll use these new people?

ANSWER:

The staff increase for FY 1995 is a total of 15 positions, an increase of our current approved level of 48 (a 31% increase). These positions will be used to implement the planned program initiatives in benchmarking and roadmaps, support for PNGV and CIT activities, along with support for increased access to foreign science and technology such as the U.S.-Israel Science and Technology agreement, the U.S.-Japan Manufacturing Technology Fellowship program, and expansion of the Japan Technology Program.

Questions Submitted By Congressman Price

Advanced Technology Program

On pages 8-9 of your NIST Budget Highlights document, you cite a number of different awards from the programs you administer.

QUESTION:

I'm wondering if you wouldn't characterize the awards you made last year, especially in the Advanced Technology Program, and try to characterize them for us -- for example, is there a way to characterize the awards that have generated the greatest economic returns?

ANSWER:

In the early days of the ATP, the electronics industry did a particularly thorough job of publicizing the ATP among its companies, and so initially there was a disproportionate number of electronics-related proposals relative to some other industries. Since then, ATP has been striving to publicize the program among all industries. As a result, recent competitions have shown a well-balanced spectrum of proposals covering all industries.

When the ATP first began, some expressed concern that small businesses would have difficulty competing against large firms. This concern has proved to be unfounded. While the ATP has funded some large companies, the majority of awards have been to small and medium-sized businesses, including a number of very small start-up companies. The attached charts show the breakdown of ATP projects by industry sector and by size of company, respectively for all four competitions to date.

ATP supports R&D that is upstream of product development, the economic payoff from ATP projects will be realized in the long term rather than immediately. The ATP relies on market mechanisms for commercializing the new and improved products, services, and processes derived from the technology platforms developed by ATP-funded projects. Assessing long-term economic impact--in terms of increased industrial productivity and competitiveness, and the creation of the high-value industries and future jobs--is a major goal of ATP's program evaluation effort. ATP's evaluation plan calls for microeconomic studies to be performed to estimate long-run benefits and costs of the new and improved technologies developed by ATP-funded projects and the economic return on the public investment.

In a study carried out for ATP by an outside firm (Solomon Associates), awardees in the first ATP competition were asked a series of questions regarding the impact of the ATP award on their businesses. One of the interesting conclusions was the large number of companies who described the "halo effect" associated with their ATP award. The Solomon Report said:

"Nearly 60% of the participants (and 100% of the single applicants) at some point during the interview credited their ATP award as having enhanced the organization's credibility in some way which resulted in impacts ranging from enhancing the image of the company with potential investors to increased public awareness of the technology."

While the economic evaluation of long-term economic returns awaits the R&D to be completed, the technical and market feasibility to be demonstrated, the products, services, and processes to be designed and engineered, and the production, distribution, and end-use to occur, the ATP has implemented other evaluation tools to determine if the program is on track, to indicate progress, and to help management keep it on track. ATP's oversight of funded projects shows that technical feasibility has been demonstrated for a number of technologies, leading to the filing of approximately 20 patents in late 1993 and early 1994. Third-party contractor studies indicate that the ATP has increased the level of R&D and significantly shortened R&D cycles; led to the establishment of infrastructure to facilitate collaborative research in a number of fields; dramatically increased the productivity of collaborative research; and increased public awareness of the technologies funded. Several of the projects are beginning to show early commercialization activities.

Although ATP awards focus on high risk projects related to underlying technology rather than the design of specific products, companies nearing the end of their award period are often able to begin to incorporate the technological developments that occurred during the ATP project into innovative new products. For example, DuPont's project to develop a new class of high-temperature superconducting materials, based on lead-thallium materials (one of the first ATP projects funded) has already borne fruit. At the Wireless Symposium and Exhibition, Dupont received a "Top Products of 1993" plaque for this project. The July 1993 issue of *Microwaves and RF* magazine featured a cover story titled "Superconducting circuits make practical strides." The associate editor of this trade magazine described DuPont's new developments using language such as "...tremendous potential for microwave designers." The article says that this technology was previously considered by microwave engineers too risky and far out to consider for practical applications, but "The work of DuPont...may

change these engineers' minds." A recent letter from DuPont states that DuPont might have discontinued work in this high risk field had it not been for the ATP award. DuPont has also used the ATP funds to support a number of small companies that supply fabrication equipment to DuPont. All of this means the U.S. is now much more likely to maintain a world leadership position in microwave devices based on high temperature superconductors.

QUESTION:

Is there a way to characterize them by industry -- what industries are represented heavily, which industries are noticeable lagging or lacking altogether?

ANSWER:

The attached pie chart shows the breakdown of ATP awards by industry sector. In the early days of the program, industry organizations such as the American Electronics Association were particularly aggressive in publicizing the ATP to their thousands of members, and consequently, there was a large share of electronics proposals in the early competitions. Since then, the ATP has worked diligently to publicize the program in all industrial sectors, and the numbers of proposals in other sectors are showing increases in each competition as a result. As an example, in early competitions there were almost no proposals in buildings and construction, but we have made an effort to alert that community to the opportunities presented by the ATP, and we are beginning to see much stronger interest from that community.

QUESTION:

Can you characterize them by size of company?

ANSWER:

Please refer to attached charts. We have observed a good mix of small, medium, and large businesses in the competitions to date.

QUESTION:

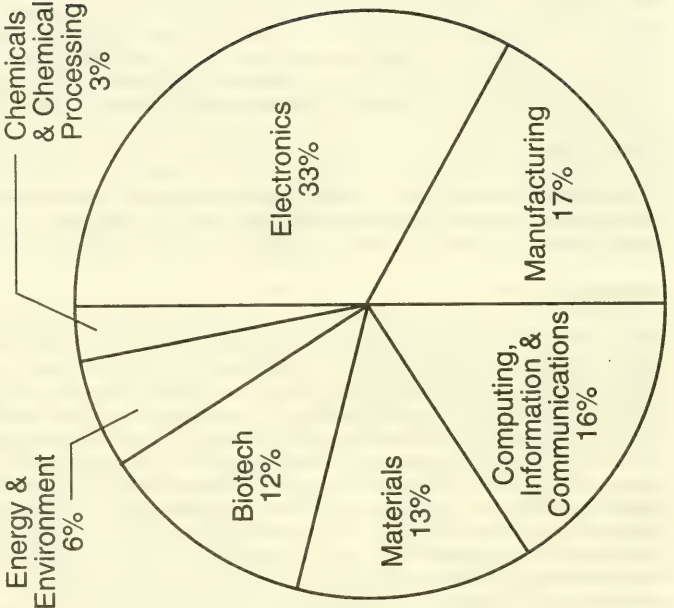
Can you characterize them by level of award?

ANSWER:

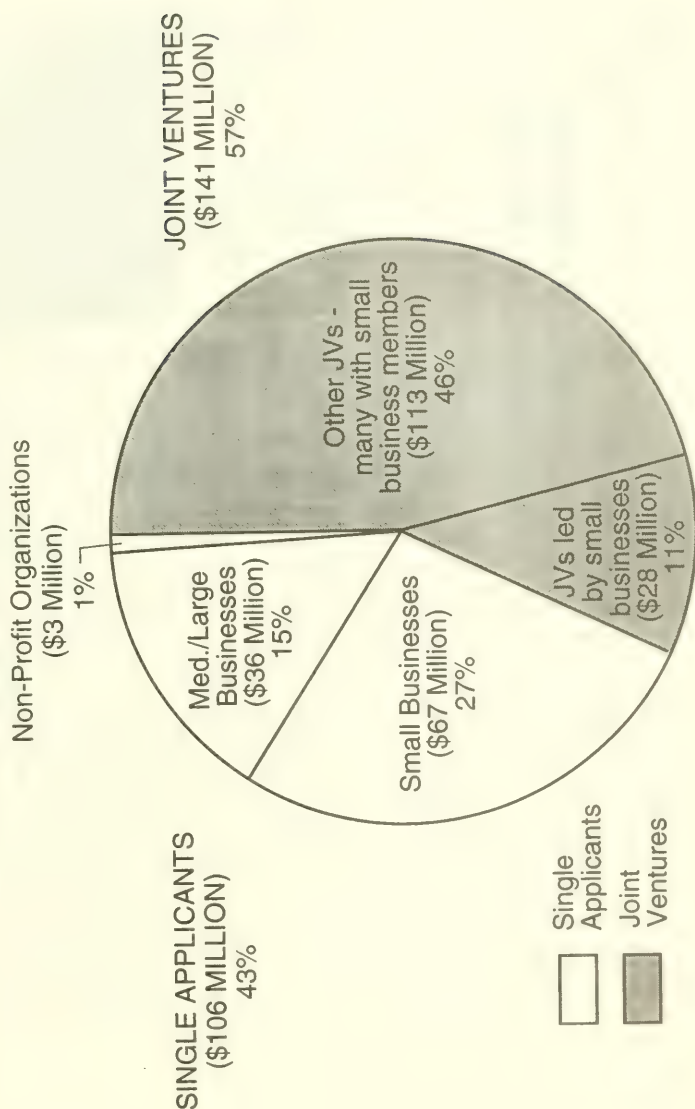
Single applicant proposals range from a few hundred thousand dollars to the \$2 million dollar legislatively mandated limit for single applicants. The majority of single applicant proposals have been in the \$1-2 million range. There is no dollar limit on joint venture proposals, and the joint venture proposals submitted range from a few hundred thousand to tens of millions of dollars.

FOUR GENERAL COMPETITIONS

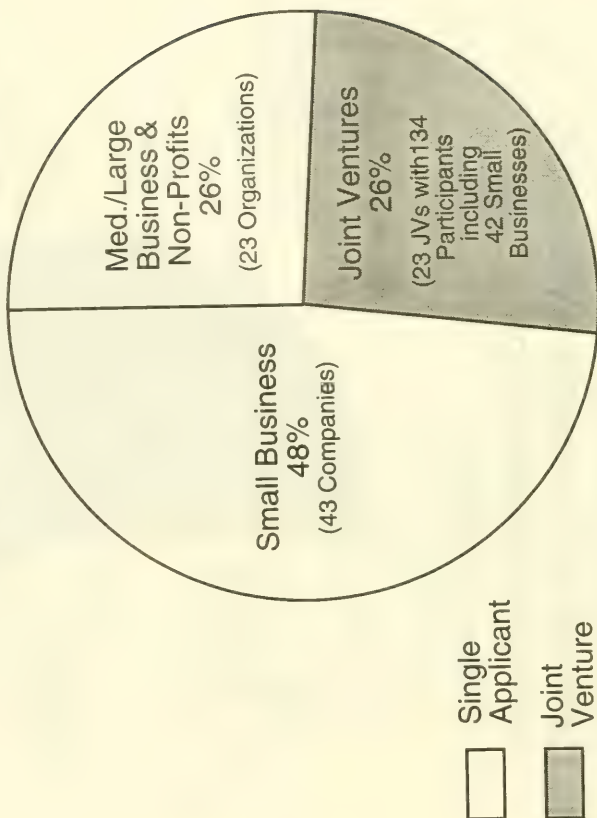
**TECHNOLOGIES FUNDED BY ATP
AS A PERCENT OF \$247 M AWARDED**



\$247 MILLION OF ATP FUNDS AWARDED BY TYPE OF ORGANIZATION



ATP 89 AWARDEES BY TYPE OF ORGANIZATION



The largest joint venture funded to date involves about \$20 million in ATP funds over the life of the project and about \$26 million in industry cost sharing. \$2-\$4 million over the life of the project is more typical of joint ventures.

QUESTION:

And, more importantly, tell us of your failures -- if we have only successes, it may be difficult to determine where we are the most effective -- what hasn't worked well, and which awards have not produced as well as expected?

ANSWER:

For nearly all ongoing ATP projects, it is too early to tell whether they will succeed or fail commercially. Only a small number of projects have been completed to date. ATP funds projects with high technical risk (projects that industry is unlikely to undertake by themselves), so some failures are to be expected. Both technical risk and business risk are involved. The first project to be completed, a joint venture of Hampshire Instruments and McDonnell-Douglas Electronics, was a technical success, but shortly after the project was completed, Hampshire Instruments, a small business, filed for bankruptcy. A lack of financial stability characterizes many small firms and is a risk we believe we must sometimes take in order to tap the innovative potential in such companies.

While the technology is not being exploited now by Hampshire Instruments in the way in which the proposers envisioned at the outset, there still is a good possibility that McDonnell-Douglas will be able to commercialize the technology for other applications. Furthermore, the technology is broadly applicable and may yet yield significant economic benefit. The final chapter in this story has not been written.

The success of the ATP should be viewed from the standpoint of the entire portfolio of projects funded. It is possible for individual projects within the program to fail while the program as a whole has significant economic impact.

MONDAY, MARCH 14, 1994.

ECONOMIC DEVELOPMENT ADMINISTRATION

WITNESSES

WILLIAM W. GINSBERG, ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT

WILBUR F. HAWKINS, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT

PEDRO R. GARZA, DEPUTY ASSISTANT SECRETARY FOR PROGRAM OPERATIONS

CHESTER J. STRAUB, JR., DEPUTY ASSISTANT SECRETARY FOR PROGRAM SUPPORT

JOSEPH M. LEVINE, CHIEF COUNSEL

DEBORAH A. SIMMONS, ACTING BUDGET OFFICER

MARK E. BROWN, DIRECTOR, OFFICE OF BUDGET

ELLA RUSINKO, DIRECTOR, CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS

Mr. MOLLOHAN [presiding]. This afternoon's hearing will come to order.

Continuing our review of the Department of Commerce's fiscal year 1995 budget request, we will first hear from the Economic Development Administration. The total EDA request for fiscal year 1995 is \$411,647,000, including \$327,024,000 for the Economic Development Assistance Programs grants, an increase of \$4,382,000 over the amounts appropriated for fiscal year 1994; \$51,976,000 for the Economic Development Guaranteed Loans program; and \$32,647,000 for the Salaries and Expenses account, an increase of \$4,647,000 above the amounts appropriated in fiscal year 1994. We will insert the justification material submitted in support of this request into the record.

[The justification follows:]

Department of Commerce
Economic Development Administration
BUDGET ESTIMATES, FISCAL YEAR 1995
CONGRESSIONAL SUBMISSION
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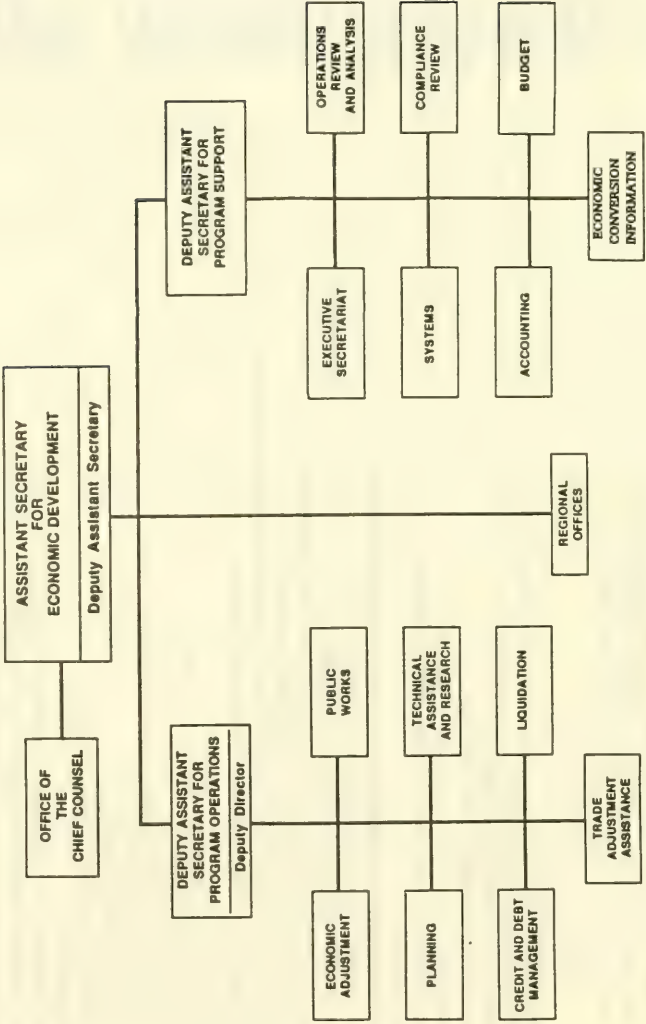
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U.S. DEPARTMENT OF COMMERCE

Economic Development Administration



Department of Commerce
 Economic Development Administration
 Budget Estimates, Fiscal Year 1995

EXECUTIVE SUMMARY

The Economic Development Administration (EDA), authorized by the Public Works and Economic Development Act of 1965, as amended, provides targeted, results-oriented assistance designed to help local communities help themselves to achieve economic stability and growth through the development of new businesses, industries, and jobs and the reduction of both sudden and long-term employment changes. EDA leverages its financial assistance and helps bridge the gap between what local governments can contribute and the private sector can invest in jobs retention and jobs-generating development and the amount required to provide essential facilities and knowledge. Community participation is voluntary; no Federal plan or program is imposed upon any regional, state, or local body. The initiative, the ideas, and the requests for assistance must all originate locally, from the people closest to the problem—closest to the solution.

GOALS OF THE AGENCY

The goals of the Economic Development Administration are to:

- o Ensure a singular, flexible and effective Federal response to issues of economic development, jobs creation, and jobs retention.
- o Forge and maintain strategic operational alliances with all Federal departments and agencies engaged in economic development to ensure uniformity and consistency in the execution of Federal economic development policy.
- o Develop and maintain a uniform Federal process for economic development planning that is comprehensive in scope, is fully coordinated with other private sector and government programs, and effectively leverages the use of public and private resources in the retention of existing jobs and in the creation of new jobs for the unemployed and underemployed, especially in economically distressed areas.
- o Support local economic development through jointly-funded investments for public works and development facilities such as high-technology business parks and skill training centers which will facilitate the creation or retention of private sector employment opportunities, increase income levels, and promote both long and short-term job creation.

- o Promote national economic stability, competitiveness and growth, and the preservation of essential defense production capabilities by facilitating the development of an integrated, defense and commercial industrial base.
- o Generate new economic opportunities for communities through the restructure and revitalization of regional and local economies, productive reuse of existing defense-created assets and the modernization of manufacturing capacities.
- o Increase the capacity of communities to develop and implement strategies for restructuring, rebuilding and growing their economic base in response to changes resulting from global competition, Federal environmental and regulatory actions, long-term economic deterioration, and rapidly changing technological developments.
- o Elicit the maximum employment and economic development impact from EDA programs, through new knowledge, analyses, demonstration projects and evaluations that ensure realistic assessments of problems and potential solutions.
- o Aid other development organizations, States and communities in understanding local, regional, and national economic development problems and issues, designing economic development programs, and making policy decisions.

To achieve these goals, EDA is requesting \$32,647,000 in Salaries and Expenses, \$187,024,000 in broad-based, multi-purpose economic assistance programs, \$140,000,000 for Defense Economic Investment, and \$51,976,000 for Economic Development Guaranteed Loans. Funding for the various economic assistance programs and defense investment is as follows:

- o **Public Works and Development Facilities**--EDA requests \$130,924,000 to provide for infrastructure investments that foster the establishment or expansion of industrial and commercial businesses providing long-term employment to the unemployed or underemployed residents of communities experiencing high unemployment, low per-capita income, and outmigration. It should be noted that of the some 3,100 counties in the United States, approximately 2,700 or 87 percent have, over the years, been designated as eligible for EDA assistance. However and of utmost importance is the fact that only 48 percent or some 1,500 counties are currently "statistically qualified" for EDA assistance; and, of the latter amount, EDA will provide infrastructure investment funds to an estimated 175 communities.
- o **Planning**--EDA requests \$26,000,000 to encourage and support local development organizations with the mission of empowering states and communities to design and implement effective economic development policies and programs. This "grassroots" network promotes economy of scale which enables several counties, their cities, and their towns to pool resources; multi-county economic development districts provide assistance to small communities in rural areas that do not have sufficient resources to address local economic development issues.

- o **Technical assistance**--EDA requests \$10,600,000 to provide for local feasibility and industry studies, management and operational assistance, natural resource development and export promotion. At the national level, funds will provide for studies of topical issues such as technology transfer and business financing by both public and private sector financial institutions. In addition, EDA competitively funds a network of University Centers that provide a wide range of services specifically tailored to meet the economic needs of the communities in which they are located including entrepreneurial development and general business assistance in areas not serviced by Minority Business Development Centers (MBDC's) or the Small Business Administration, export assistance in areas not serviced by the International Trade Administration (ITA), and technology assistance in the absence of the National Institute of Standards and Technology (NIST). In short, EDA's University Center Program enables communities to receive technical assistance not otherwise available.
- o **Research, evaluation and demonstration**--EDA requests \$500,000 to support a broad spectrum of studies and evaluations of national and regional economic and industrial trends that will increase knowledge about the causes of economic distress and approaches to alleviating such problems and that will foster regional productivity and growth. The breadth of this program extends beyond the rural focus of U.S. Department of Agriculture (USDA) and the employment objective of the Department of Labor (DOL). EDA participates actively in research coordinating councils and other liaisons to assure that its research complements rather than duplicates similar Federal programs.
- o **Special economic development adjustment assistance or Title IX**--EDA requests \$19,000,000 to provide an all-inclusive package of assistance tools which can be specifically adapted to help communities facilitate adjustment to economic change and/or respond to critical economic adjustment problems, when and wherever such problems occur. EDA's Title IX program differs in this respect from the USDA's Rural Development Administration (RDA) which is limited to communities with specified populations and is legislatively directed to prescribed activities; further, the Community Development Block Grants (CDBG) of the Department of Housing and Urban Development (HUD) are formula-based and constrained by low/moderate income requirements.
- o **Defense economic investment**--EDA requests \$140,000,000 to assist communities to readjust to Department of Defense (DOD) base closures and procurement cutbacks by making available those development tools which can be effectively and easily directed towards both on and off-base economic adjustment. Similar assistance is also provided to those communities adversely impacted by defense-related downsizing which affect the Department of Energy (DOE).

STATEMENT OF OBJECTIVES

Faced with the growing number of communities experiencing structural adjustment problems, EDA's strategy is to reinforce its unique use of resources in ways that enable such communities to take responsibility for and control of their economic future. In implementing this strategy, EDA's objectives are to: 1) provide, through a "one-stop" concept, communities with the skills and knowledge needed to organize and carry out a strategic planning process focusing on increasing the productivity and competitiveness of a community's assets (existing industries and businesses, natural resources, and labor force skills); 2) reinforce the capacity of public officials and development organizations to work more effectively with their business communities to identify and address the needs of strategically targeted firms for: management assistance, access to information, help with marketing and manufacturing modernization, and both conventional and creative sources of financing; and in organizing collaborative agreements among firms that can increase their overall competitiveness and production; 3) overcome critical impediments to a community's ability to move forward with implementation of its adjustment strategy; and 4) enable communities to easily access, coordinate and effectively utilize local, state, and Federal resources available to support economic development.

SALARIES AND EXPENSES: For FY 1995, EDA is requesting 358 positions and \$32,647,000, a net increase of \$4,647,000 over the 1994 enacted appropriation and \$4,083,000 above the 1995 Base. By eliminating residual staff of 6 positions and -\$155,000 previously associated with certifying trade-impacted firms and by applying an across-the-board reduction, EDA will be in full compliance with the Administration's objectives to reduce FTE and realize administrative savings. To address the void or lack of knowledge about Federal resources available for defense adjustment, EDA is requesting an additional eleven (11) positions and \$2,310,000 to permanently fund its Office of Economic Conversion Information. The Office, which was initially established in FY 1994 with joint EDA/DOD funding, helps those seeking economic adjustment and conversion assistance and serves as a central information clearinghouse on Federal, state and local economic adjustment and conversion assistance. Lastly, in order to streamline grants administration, increase budget, program and evaluation efforts and upgrade its management information system, EDA is requesting a net increase of \$2,105,000 for program support.

DEFENSE ECONOMIC INVESTMENT: At the national level, the post-Cold War Defense downsizing is smaller than that experienced after the Korean and Vietnam conflicts; however, the impact will be substantial where the local economy depends on DOD activities. To alleviate the adverse impact, EDA is requesting an additional \$60,000,000 in FY 1995. This level of funding will permit EDA to: Facilitate implementation of base reuse strategies for communities affected by base closures or realignments in the 1988 and 1991 and 1993 Base Closure and Realignment Act (BRAC) rounds and which are projected to have completed their base reuse plans. Provide an additional number of communities experiencing both DOD and DOE procurement reductions with assistance for financing business conversion projects.

At this increased level of funding, EDA will target: 1) Construction of base conversion and community investment projects; 2) Revolving Loan Fund (RLF) grants for strategically targeted business assistance which increases the availability of flexible debt financing for strategically-targeted businesses through the capitalization of community-administered RLFs; 3) Management and technical assistance (community business development); and 4) Community adjustment planning needs that exceed the eligibility requirements of the Department of Defense's Office of Economic Adjustment (OEA) assistance. OEA provides defense-impacted communities the initial assistance for base reuse planning. While OEA's assistance is generally comprehensive and designed to address all of the planning needs of a community, there may be economic development gaps technically ineligible for OEA funding. Also, OEA may limit its assistance to readily identified defense impacts or choose not to address some non-defense economic issues deemed important to a community. In these cases, EDA assistance can be awarded to complement the OEA scope of work. In all cases, close coordination with OEA precludes duplication of effort. In the special case of Department of Energy facilities, OEA is not authorized to extend assistance and EDA provides all adjustment planning support.

ECONOMIC DEVELOPMENT GUARANTEED LOANS: For FY 1995, EDA is requesting one (1) additional position and \$50,000,000 to provide guarantee loans for business development for industrial and commercial uses. This program will provide direct and immediate assistance to existing, emerging or expanding private firms which are unable to obtain the necessary capital because of actual or perceived risk to enable them to create new jobs, and to upgrade and enhance existing ones. The EDA program will complement the Small Business Administration's Section 7(a) Business loan guarantee program and the Rural Development Administration's Business and Industrial guaranteed loan program, thus bridging a major gap in existing Federal assistance to private firms. The \$50,000,000 will cover the estimated subsidy rate for a \$269,000,000 program.

MANAGEMENT AND LEGISLATIVE INITIATIVES

Consistent with the Administration's objective to reinvigorate EDA as the "flagship" for regional economic development, several initiatives have been undertaken which, when completed, will strategically realign staff and accelerate delivery of economic development assistance to customers at the local level.

EDA has a uniquely important leadership role to play in creating fundamental economic change in distressed areas. Economic change is effected when the public and private sectors, the for-profit and not for-profit sectors and the academic and industrial sectors are effectively brought together to define new consensus goals and achieve their goals by structuring innovative new partnerships between the Federal Government and the civilian business sector. This government-industry partnership presents a historic opportunity to build a new economic base of globally-competitive, high-growth companies.

EDA's economic development strategy will be based on the local and indigenous strengths already in the community. Efforts will be focused on the most innovative, forward-looking economic activities, rather than merely on efforts to sustain the traditional economic base. The major public and private institutions in the community to play new roles will be academic institutions promoting commercial activity, governmental institutions promoting relatively high-risk technology rather than funding "bricks and mortar," and business institutions promoting public economic development goals. Schools and the local job training institutions will be involved and worked with to create a shared vision of the skills that people will need in the future. EDA must be an agency which is responsive to local initiative and vision while at the same time helping local communities to focus on longer-term strategies which might not otherwise be a local priority.

Allocation of Regional Office Staff: In order to provide maximum regional coverage, EDA is modifying its approach to areas being serviced by the 47 field Economic Development Representatives (EDRs). For example, if because of DOD downsizing or the occurrence of a natural disaster the particular workload of an EDR increases, then that EDR will be provided additional support to address the problem while his residual area of coverage will be assigned to another EDR with less workload.

Performance Measures: Included in this budget submission are planned performance measures for each EDA program; however, these measures are preliminary and will be refined. Performance measures are a management tool, and defining meaningful measures is largely a function of how EDA's programmatic objectives to be accomplished are defined. Performance measures are best employed to track progress in the accomplishment of organizational goals and objectives that have been carefully identified and for which a major strategic focus has been developed. Thus, the performance measures contained herein are subject to change.

The following are some indicators of success:

The Public Works program plays a fundamental role in supporting the process of upgrading and expanding the nation's physical base needed for economic development. A large majority of grantees have reported that their projects had met or exceeded their expectations regarding utilization and economic impact and also stated that they had expanded or planned to expand which indicates positive performance relative to utilization. A comparison of projected job creation to reported job creation provides evidence that public works projects met or exceeded the initial expectations of the grantees. Qualitative impacts of the Public Works Program include: 1) improvements in the provision of public services (for example, an improved water system may have few committed new users relative to its size and cost in the short-run but provides a base for long-term development throughout the community), 2) upgrading of adjacent land uses, 3) increased local economic development capacity, 4) strengthening of the local tax base which enables fiscally-strapped communities to invest more in schools and other necessary community services and 5) improvements in community spirit.

The Planning program has provided valued assistance necessary to undertake detailed analysis in the development of short/long-range planning strategies which is an important part of economic development. After an assessment of the overall conditions and potentials of an area, goals are developed for each economic development opportunity, such as tourism, the service sector, and industrial retention. As a result local economic development agencies have become aware of the purpose and responsibilities of the other agencies involved in the strategic planning process. The agencies and development professionals are better prepared to meet the needs of private businesses and the general public. The benefits of enhanced agency coordination are far reaching. The local businesses and communities have benefitted as a result of the improved development management process.

Technical assistance funds are used to produce reports that provide practitioners with an opportunity to examine how the economy is changing and how local economic developers can respond. The reports examine the policy implications of developing a comprehensive local approach to economic development that responds to the dramatic changes now underway. Reports combine the ideas of some of the country's most creative practitioners with noted experts on productivity, technology application, workforce education and training, political economy, and international trade.

Research funds have been used to study ways of achieving sustainable development. Even though a great deal of information had been published on the topic, much of it is not easy to retrieve and is unfit for nonspecialist audiences. Reports are published which can assist State and local authorities in planning and managing urban, suburban, and rural growth and development while preserving community character. The report presents aids to understanding growth and growth management through conceptual frameworks and case studies that link crucial issues to appropriate detailed techniques, and contains bibliographies which organize and list the most accessible recent and classic growth and growth management sources and assembles many relevant data sources of the federal government.

The Special economic development adjustment/Defense economic adjustment programs have provided funds for the development of adjustment strategies that are instrumental in bringing together the resources of the private sector with the academic and research community to address the area's economic future. Funds are also provided to support the implementation of an adjustment strategy. One project provided funds to make improvements to a wastewater treatment system as part of a base reuse plan. With the improved system, the base can now be used for residential, commercial, aviation and industrial purposes which could result in the creation of nearly 9,000 jobs within two years after the project is implemented and 20,000 within five years.

Funds provided for the establishment of Revolving Loan Funds (RLF) have financed new and expanding businesses that will employ dislocated workers and create jobs in the areas hardest hit by defense downsizing. RLF's will provide needed financial assistance to promote the economic recovery of those businesses which were adversely impacted by the devastation inflicted by Hurricane Andrew. A RLF will facilitate the growth, development, and economic revitalization of small and/or minority owned businesses. The RLF will provide loans to promote the development of new businesses, which will take advantage of opportunities in: 1) commercial areas adjacent to or within communities that are rebuilding, 2) existing or proposed small business incubators, 3) industrial parks, and 4) enterprise/trade zones.

Loan Guarantees - EDA guaranteed a fixed asset package to develop a downtown shopping mall in a major city. In addition to creating jobs, many for inner-city residents, it also helped the revitalization of the downtown area. Because it was so successful, the loan was paid off well ahead of the original maturity.

EDA guaranteed a loan to a minority-owned manufacturer of electronic equipment, which enabled it to compete successfully for Department of Defense contracts. The loan was paid off early, due to the firm's continued expansion.

Authorizing Legislation: EDA's Reauthorization Working Group completed its assignment to rewrite the Public Works and Economic Development Act (PWEDA) of 1965, as amended. The legislative package was transmitted to the Committee on Public Works and Transportation and the Subcommittee on Economic Development on February 2, 1994. On February 10, H.R. 2442, the Economic Development Reauthorization Act of 1993 was filed by the Committee on Public Works and Transportation, and has since been referred to the Committee on Banking and Urban Affairs.

Streamlining Regulations: Because of the interrelationship between authorizing legislation and the Code of Federal Regulations, EDA's regulations streamlining can be considered a subset of reauthorization. Meanwhile, EDA plans to modify its regulations consistent with its Application Reform Initiative. Major goals of the Application Reform Initiative are to: 1) Reduce application processing time; 2) Improve customer satisfaction; 3) Assure product quality; and 4) Assure organizational accountability. EDA is working to achieve these goals through a nine project pilot program (the Pilot). The Pilot is anticipated to be completed in the third quarter of FY 1994. Upon completion, EDA will obtain OMB approval for a streamlined process and form. The revised process and regulations will be published thereafter and are expected to be fully operational for FY 1995.

Department of Commerce
Economic Development Administration
Salaries and Expenses
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

Page No.:

	President's Budget, 1994	Positions	FTE	Amount
EDA-15	Plus: 1995 Adjustments to base	375	353	\$28,000
		-13	-14	564
EDA-21	1995 Base	362	339	28,564
	Less: Administrative savings	0	0	-68
EDA-23	Less: FTE Savings	-4	-5	-310
	Plus: 1995 program changes	0	1	4,461
	1995 Estimate	358	335	32,647

	ACTIVITY: ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS		1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
			Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount
	Comparison by subactivity											
EDA-27	Executive direction	Pos./BA	20	\$1,488	22	\$1,716	22	\$1,722	22	\$1,706	0	\$-16
		FTE/Obl.	21	1,066	20	1,716	20		20		0	
EDA-29	Program operations	Pos./BA	65	4,377	74	4,792	61	3,979	55	3,824	-6	-155
		FTE/Obl.	69	4,007	69	4,792	55		50		-5	
EDA-35	Program support	Pos./BA	52	7,009	65	6,413	65	7,660	64	9,765	-1	2,105
		FTE/Obl.	54	6,976	58	6,413	58		57		-1	
EDA-41	Economic conversion information	Pos./BA	0	0	0	0	0	0	11	2,310	11	2,310
		FTE/Obl.	0	0	0	700	0		8		8	
EDA-47	Regional operations	Pos./BA	209	12,888	214	15,079	214	15,203	206	15,042	-8	-161
		FTE/Obl.	197	13,599	206	14,379	206		200		-6	
	Total Direct	Pos./BA	346	25,762	375	28,000	362	28,564	358	32,647	-4	4,083
		FTE/Obl.	341	25,648	353	28,000	339		335		-4	

SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

ACTIVITY: ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS		1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
		Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount
	Adjustments for:										
	Recoveries										
	Unoblig. bal., start of year										
	Unoblig. bal. transferred										
	Unoblig. bal. end of year										
	Unoblig. bal. expiring		\$114		0		0		0		0
	Financing from transfers:										
	Transfer from other accounts										
	Transfer to other accounts		1,356								
	Appropriation		27,118		28,000		\$28,564		\$32,647		\$4,083

Department of Commerce
Economic Development Administration
Salaries and Expenses
SUMMARY OF FINANCING
(Dollar amounts in thousands)

	1993 Actual	1994 Currently Available	1995 Base Amount	1995 Estimate Amount	Increase/ (Decrease) Amount
Total Obligations	\$28,611	\$30,333	\$30,897	\$32,807	\$1,910
Financing:					
Offsetting collections from:					
Federal funds	-2,963	-2,333	-2,333	-160	2,173
Trust funds					
Non-Federal sources					
Recoveries					
Unobligated balance, start-of-year					
Unobligated balance transferred					
Unobligated balance, end-of-year					
Unobligated balance lapsing	114	0	0	0	0
Total Budget Authority	25,762	28,000	28,564	32,647	4,083
Transferred to/from other accounts	1,356	0	0	0	0
Sequester	0	0	0	0	0
Appropriation	27,118	28,000	28,564	32,647	4,083

Department of Commerce
Economic Development Administration
Salaries and Expenses
SUMMARY OF ADJUSTMENTS TO BASE AND BUILT-IN CHANGES
(Dollar amounts in thousands)

	<u>Pos.</u>	<u>FTE</u>	<u>Amount</u>
OTHER CHANGES:			
Transfer to Economic development loan guarantee account	-13	-14	-\$1,976
1994 locality pay raise	0	0	838
1995 pay raise	0	0	297
Within-grade step increases	0	0	162
Change in compensable days	0	0	-82
Civil Service Retirement System (CSRS)	0	0	-13
Federal Employees Retirement System (FERS)	0	0	24
Thrift Savings Plan	0	0	4
Federal Insurance Contribution Act (FICA) - OASDI	0	0	20
Health insurance	0	0	68
Employees' Compensation Fund	0	0	-48
Travel:			
Per diem	0	0	12
Rental payments to GSA	0	0	114
Rental payments to others	0	0	5
Printing and reproduction	0	0	2
Other services:			
Working Capital Fund	0	0	961
Other services	0	0	32
Audit costs	0	0	140
Supplies and materials	0	0	4
Total, adjustments to base	-13	-14	564

Department of Commerce
Economic Development Administration
Salaries and Expenses

JUSTIFICATION OF ADJUSTMENTS TO BASE AND BUILT-IN CHANGES
(Dollar amounts in thousands)

FTE Amount

OTHER CHANGES:

<u>Transfer</u>	-14	-\$1,976
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Pursuant to the Credit Reform Act of 1990, personnel and administrative costs are being transferred from this account to the Economic Development Loan Guarantee program being requested in this budget.

<u>Pay raises</u>	0	1,135
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Full-year cost of 1994 locality pay increase and related costs:

A locality pay raise was implemented in January 1994.

Total cost in 1995 of 1994 locality pay raise	\$777	
Less amount funded in 1994	0	
Less amount absorbed	<u>0</u>	
Amount requested in 1995 to provide full-year cost of 1994 locality pay raise	777	
Payment to Working Capital Fund	<u>61</u>	
Total, adjustment for 1994 locality pay raise	838	

1995 Pay Increase and Related Costs:

A general pay raise of 1.6% is assumed to be effective January 1, 1995.

Total cost in 1995 of pay increase	284	
Less amount absorbed	<u>0</u>	
Amount requested for 1995 pay increase	284	
Payment to Working Capital Fund	<u>13</u>	
Total, adjustment for 1995 pay increase	297	

JUSTIFICATION OF ADJUSTMENTS TO BASE AND BUILT-IN CHANGES
(Dollar amounts in thousands)

<u>Within-grade step increases</u>	<u>FTE</u>	<u>Amount</u>
.....	0	\$162

An increase of \$162,000 is required to cover the cost of within-grade step increases. This estimate reflects the net cost of step increases which will be earned in 1995.

Estimated number of within-grade step increases	140
Step increases not earned due to turnover ($140 \times 6.3\%$)	9
Average step above step one per separation	4
Average cost per within-grade step increase	1,376
Gross cost of scheduled step increases ($\$1,376 \times 140$)	192,640
Less savings due to separation ($\$1,376 \times 9 \times 4$)	-49,536
Subtotal, personnel compensation	143,104
Benefits	<u>18,662</u>
Total, adjustment to base	161,766

<u>Change in compensable days</u>	0	-82
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The decreased cost of one less compensable day in 1995 compared to 1994 is calculated by dividing the 1994 estimated personnel compensation (\$18,835,000) and applicable benefits (\$2,557,000) by 261 compensable days. The cost decrease of one less compensable day is \$81,962.

<u>Civil Service Retirement System (CSRS)</u>	0	-13
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The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees' Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 71.3% in FY 1994 to 70.3% in FY 1995 for regular employees. Contribution rates will remain the same. This will result in a decrease of \$13,185 in the cost of CSRS contributions.

FY 1995 cost: $\$18,835,000 \times .703 \times .07$	\$926,870
FY 1994 cost: $\$18,835,000 \times .713 \times .07$	<u>940,055</u>
Total, adjustment to base	-13,185

JUSTIFICATION OF ADJUSTMENTS TO BASE AND BUILT-IN CHANGES

(Dollar amounts in thousands)

<u>FTE</u>	<u>Amount</u>
0	\$24

Federal Employees Retirement System (FERS)

The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 28.7% in 1994 to 29.7% in 1995 for regular employees. The contribution rate for regular employees will remain at 12.9% in FY 1995.

FY 1995 cost: \$18,835,000 x .297 x .1290	\$721,625
FY 1994 cost: \$18,835,000 x .287 x .1290	697,628
Total, adjustment to base	24,297

Thrift Savings Plan (TSP)

0	4
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The cost of agency contributions to the Thrift Savings Plan will also rise as FERS' participation increases. The contribution rate is expected to remain at 2%.

FY 1995 cost: \$18,835,000 x .297 x .02	111,880
FY 1994 cost: \$18,835,000 x .287 x .02	108,113
Total, adjustment to base	3,767

Federal Insurance Contribution Act (FICA)

0	20
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As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will rise from \$60,150 in FY 1994 to \$61,050 in FY 1995. The OASDI rate will remain at 6.2% in 1995.

Regular:

FY 1995 cost: \$18,835,000 x .297 x .062 x .98	\$339,891
FY 1994 cost: \$18,835,000 x .287 x .062 x .956	320,403
Subtotal	19,488

JUSTIFICATION OF ADJUSTMENTS TO BASE AND BUILT-IN CHANGES
(Dollar amounts in thousands)

	FTE	Amount
Other:		
FY 1995 cost: \$216,000 x .062 x .98		\$13,124
FY 1994 cost: \$216,000 x .062 x .956		12,803
Subtotal		321
Total, adjustment to base		19,809
<u>Health insurance</u>	0	\$68
Effective January 1993, EDA's contributions to federal employees' health insurance premiums increased an average of 8.3%. Applied against the 1994 estimate of \$819,000, the additional amount required is \$67,977.		
<u>Employees' Compensation Fund</u>	0	-48
The Employees' Compensation Fund for the year ending June 30, 1993, is \$47,971 lower than the bill for the year ending June 30, 1992. The charges will be reimbursed to the Department of Labor pursuant to 5 U.S.C. 8147.		
<u>Per diem increase</u>	0	12
Effective March 12, 1993, the General Services Administration raised per diem rates. This results in a 3.0% increase to EDA. This percentage was applied to the FY 1994 estimate of \$387,000 to arrive at an increase of \$11,610		
<u>Rental payments to GSA</u>	0	114
The Office of National Programs has provided an estimated FY 1995 cost of \$2,276,000 (exclusive of parking below) for currently occupied space. This results in an increase of \$114,000 over the comparable FY 1994 estimate.		
<u>Rental payments to others (parking)</u>	0	5
Space rented for federally-subsidized parking in Washington, D.C. has increased \$5,000 over the current estimate of \$24,000.		

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JUSTIFICATION OF ADJUSTMENTS TO BASE AND BUILT-IN CHANGES

(Dollar amounts in thousands)

	FTE	Amount
<u>Printing and reproduction</u>	0	\$2
GPO has provided an estimated rate increase of 3.0 percent. This percentage was applied to the FY 1994 estimate of \$80,000 to arrive at an increase of \$2,400.		
<u>Other services</u>	0	1,133
An increase of \$961,000 is required to fund increases in the Departmental Working Capital Fund to maintain the current level of services.		
An adjustment of \$32,000 is required to fund built-in cost increases associated with contract support for the maintenance of EDA's automated systems.		
An increase of \$140,000 is required to cover the cost of auditing financial statements as required by the CFO Act.		
<u>Supplies and materials</u>	0	4
Based on the GDP deflator of 2.8 percent, the cost of supplies and material is expected to increase by \$3,640 from the 1994 estimate of \$130,000.		
Total, adjustments to base	-14	564

Department of Commerce
Economic Development Administration
Salaries and Expenses
Administrative Savings for FY 1995

(Dollar amounts in thousands)

	1995 Base		1995 Estimate		Increase/Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount
SALARIES AND EXPENSES	339	\$28,564	339	\$28,496	0	-\$68
A/S for Economic Development	8	799	8	797	0	-2
DAS for Economic Development	3	243	3	242	0	-1
Chief Counsel	9	680	9	679	0	-1
Total, Executive Direction	20	1,722	20	1,718	0	-4
DAS for Program Operations	6	634	6	634	0	0
Economic Adjustment	7	523	7	523	0	0
Public Works	14	871	14	871	0	0
Planning	6	411	6	411	0	0
Technical Assistance and Research	9	724	9	724	0	0
Credit and Debt Management	0	0	0	0	0	0
Trade Adjustment Assistance	0	0	0	0	0	0
Special Impact Assistance	13	816	13	802	0	-14
Liquidation	0	0	0	0	0	0
Total, Program Operations	55	3,979	55	3,965	0	-14
DAS for Program Support	5	331	5	330	0	-1
Budget	8	4,081	8	4,079	0	-2
Accounting	14	776	14	773	0	-3
Information Systems	11	1,147	11	1,145	0	-2

	1995 Base		1995 Estimate		Increase/Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount
Executive Secretariat	4	\$172	4	\$171	0	-\$1
Compliance Review	9	742	9	741	0	-1
Operations, Review and Analysis	7	411	7	410	0	-1
Total, Program Support	58	7,660	58	7,649	0	-11
Philadelphia	44	3,284	44	3,276	0	-8
Chicago	35	2,574	35	2,567	0	-7
Seattle	37	2,734	37	2,727	0	-7
Austin	27	2,047	27	2,042	0	-5
Atlanta	36	2,622	36	2,615	0	-7
Denver	27	1,942	27	1,937	0	-5
Total, Regional Operations	206	15,203	206	15,164	0	-39

	1995	1996	1997	1998	1999
Cost and Benefits:					
Direct Obligations:					
Noncapitalized	-\$68	-\$138	-\$255	-\$255	-\$255
Budget Authority	-68	-138	-255	-255	-255
Outlays	-60	-129	-241	-255	-255
FTE	0	0	0	0	0
Benefits, in dollars	0	0	0	0	0

NOTE: Reduction applied solely to object class 25.2.

Department of Commerce
Economic Development Administration
Salaries and Expenses
FTE Savings for FY 1995

(Dollar amounts in thousands)

	1995 Base		1995 Estimate		Increase/Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount
SALARIES AND EXPENSES	339	\$28,564	334	\$28,254	-5	\$-310
AS for Economic Development	8	799	8	794	0	-5
DAS for Economic Development	3	243	3	241	0	-2
Chief Counsel	9	680	9	675	0	-5
Total, Executive Direction	20	1,722	20	1,710	0	-12
DAS for Program Operations	6	634	6	634	0	0
Economic Adjustment	7	523	7	523	0	0
Public Works	14	871	14	871	0	0
Planning	6	411	6	411	0	0
Technical Assistance and Research	9	724	9	724	0	0
Credit and Debt Management	0	0	0	0	0	0
Trade Adjustment Assistance	0	0	0	0	0	0
Special Impact Assistance	13	816	8	675	-5	-141
Liquidation	0	0	0	0	0	0
Total, Program Operations	55	3,979	50	3,838	-5	-141
DAS for Program Support	5	331	5	328	0	-3
Budget	8	4,081	8	4,076	0	-5
Accounting	14	776	13	767	-1	-9
Information Systems	11	1,147	11	1,140	0	-7

	1995 Base		1995 Estimate		Increase/Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount
Executive Secretarial	4	\$172	4	\$170	0	\$-2
Compliance Review	9	742	9	737	0	-5
Operations, Review and Analysis	7	411	7	407	0	-4
Total Program Support	58	7,660	57	7,625	-1	-35
Philadelphia	44	3,284	42	3,258	-2	-26
Chicago	35	2,574	35	2,553	0	-21
Seattle	37	2,734	36	2,712	-1	-22
Austin	27	2,047	25	2,031	-2	-16
Atlanta	36	2,622	36	2,601	0	-21
Denver	27	1,942	26	1,926	-1	-16
Total Regional Operations	206	15,203	200	15,081	-6	-122

	1995	1996	1997	1998	1999
Cost and Benefits:					
Direct Obligations:					
Noncapitalized	-\$310	-\$310	-\$310	-\$310	-\$310
Budget Authority	-310	-310	-310	-310	-310
Outlays	-272	-310	-310	-310	-310
FTE	-5	-5	-5	-5	-5
Benefits, in dollars	0	0	0	0	0

Department of Commerce
Economic Development Administration
Salaries and Expenses
Program Change Personnel Detail

Activity: Economic Development Assistance Programs
Subactivity: Program Operations
Program Change: FTE Reduction

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Eligibility Examiner	GS-13	-1	-\$51,114	-\$51,114
Eligibility Examiners	GS-11	-3	-39,228	-117,684
Technical Assistance Specialist	GS-11	<u>-1</u>	<u>-39,228</u>	<u>-39,228</u>
Total full-time permanent positions/FTE		-5		-208,026

Personnel Data
Full-time equivalent employment
Full-time permanent
Other than full-time permanent
Total

-5
0
-5

Authorized positions:
Full-time permanent
Other than full-time permanent
Total

-5
0
-5

Department of Commerce
Economic Development Administration
Salaries and Expenses
Program Change Detail by Object Class
(Dollar amounts in thousands)

Activity: Economic Development Assistance Programs
Subactivity: Program Operations
Program Change: FTE reduction

	Object Class	Increase/ (Decrease)
11	Personnel Compensation	
11.1	Full-time permanent	
11.3	Other than full-time permanent	
11.5	Other personnel compensation	
11.9	Total personnel compensation	
12.1	Civilian personnel benefits	
13.0	Benefits for former personnel	
21.0	Travel and transportation of persons	
22.0	Transportation of things	
23.1	Rental payments to GSA	
23.2	Rental payments to others	
23.3	Communications, utilities and miscellaneous charges	
24.0	Printing and reproduction	
25.1	Consulting Services	
25.2	Other services	
26.0	Supplies and materials	
31.0	Equipment	
43.0	Interest and dividends	
44.0	Refunds	
99.9	TOTAL OBLIGATIONS	

Department of Commerce
Economic Development Administration
Salaries and Expenses
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

ACTIVITY: ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS		1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
		Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount
SUBACTIVITY: EXECUTIVE DIRECTION	Pos./BA	8	\$625	9	\$797	9	\$799	9	\$792	0	\$-7
	FTE/Obl.	9	269	8		8		8		0	
Deputy Assistant Secretary for Economic Development	Pos./BA	3	212	3	239	3	243	3	240	0	-3
	FTE/Obl.	3	180	3		3		3		0	
Chief Counsel	Pos./BA	9	651	10	680	10	680	10	674	0	-6
	FTE/Obl.	9	617	9		9		9		0	
Total Direct Obligations	Pos./BA	20	1,488	22	1,716	22	1,722	22	1,706	0	-16
	FTE/Obl.	21	1,066	20		20		20		0	

Department of Commerce
Economic Development Administration
Salaries and Expenses
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Economic Development Assistance Programs
Subactivity: Executive direction

Goals and Objectives

Goals: To manage the Agency effectively and efficiently in achieving the objectives of this Administration, the Secretary of Commerce and Congress.

Objectives: To provide essential policy guidance and management to ensure program effectiveness and the maximum utilization of all funds.

Base Program

This subactivity consists of the Assistant Secretary who directs the EDA programs, coordinates the Agency's congressional affairs and public relations functions and is responsible for the conduct of all economic development activities, including overall direction and coordination of the regional offices of EDA, subject to the policies and directives prescribed by the Secretary of Commerce. The Deputy Assistant Secretary assists the Assistant Secretary in all matters affecting EDA, serves as EEO officer, and performs the duties of the Assistant Secretary during the latter's absence. The Chief Counsel renders legal services to the Assistant Secretary and staff of EDA. The Chief Counsel also has primary responsibility for the preparation, coordination and clearance of all legislation, regulations and external orders.

Department of Commerce
Economic Development Administration
Salaries and Expenses
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

ACTIVITY: ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS		1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
		Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount
SUBACTIVITY: PROGRAM OPERATIONS											
Deputy Assistant Secretary for Program Operations	Pos./BA	7	\$452	6	\$629	6	\$634	6	\$634	0	\$0
	FTE/Obl.	6	272	6		6		6		0	
Economic Adjustment	Pos./BA	7	408	9	511	9	523	8	523	-1	0
	FTE/Obl.	7	267	7		7		7		0	
Public Works	Pos./BA	12	738	16	852	16	871	15	871	-1	0
	FTE/Obl.	14	755	14		14		14		0	
Planning	Pos./BA	5	403	6	396	6	411	6	411	0	0
	FTE/Obl.	6	377	6		6		6		0	
Technical Assistance and Research	Pos./BA	8	628	9	716	9	724	9	724	0	0
	FTE/Obl.	9	645	9		9		9		0	
Credit and Debt Management	Pos./BA	5	424	5	320	0	0	0	0	0	0
	FTE/Obl.	6	368	6		0		0		0	
Trade Adjustment Assistance	Pos./BA	13	749	15	797	15	816	0	0	-15	-816
	FTE/Obl.	13	761	13		13		0		-13	
Special Impact Assistance	Pos./BA	0	0	0	0	0	0	11	661	11	661
	FTE/Obl.	0	0	0		0		8		8	
Liquidation	Pos./BA	8	575	8	571	0	0	0	0	0	0
	FTE/Obl.	8	562	8		0		0		0	
Total Direct Obligations	Pos./BA	65	4,377	74	4,792	61	3,979	55	3,824	-6	-155
	FTE/Obl.	69	4,007	69	0	55	0	50	0	-5	

Department of Commerce
Economic Development Administration
Salaries and Expenses

JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Economic Development Assistance Programs

Subactivity: Program operations

Goals and Objectives

Goals: Provide, at the national/regional levels, coordinated direction related to the Agency's economic development assistance programs.

Objectives: To develop policies and procedures for the effective implementation of all EDA programs; to monitor the evolution of previously approved projects to ensure completion in accordance with conditions stated in the grants and in law; and to assist the Inspector General's staff with audit closeouts.

Base Program

The Deputy Assistant Secretary for Program Operations provides coordinated direction of headquarter's activities related to economic adjustment, development facilities, planning, defense economic conversion, technical assistance and research, evaluation and demonstration projects; develops, in conjunction with the Office of the Inspector General, criteria for audits, including adherence to EDA policy and programmatic requirements; develops policies and procedures for the implementation of all EDA programs; and provides coordinated direction of EDA's direct loan and loan guarantee port folios as shown under the EDGL account. The Deputy Director assists the Deputy Assistant Secretary and performs the duties of the Deputy Assistant Secretary during the latter's absence.

The Special Economic Development and Adjustment Assistance staff coordinates and oversees the operation of the Title IX Program of PWEDA, including the Sudden and Severe Economic Dislocation, Long-Term Economic Deterioration, and Defense Economic Investment programs; develops policies and procedures for implementing these programs; and provides post-approval assistance, taking into account program and policy compliance and appropriate measures to correct non-compliance.

The Public Works and Development Facilities staff coordinates and oversees the operation of the Title I program of PWEDA; develops policies and procedures for implementing this program; and oversees post-approval management of all infrastructure investments including Economic Adjustment and Defense Economic Investment construction projects.

The Planning staff coordinates and oversees the Planning programs, including grants to states, cities, counties, districts, non-profit organizations, and Indian tribes.

The Technical Assistance and Research staff evaluates, integrates, and disseminates the results of EDA-sponsored research, evaluations, and demonstrations projects; conducts external and inhouse research and analysis to increase the general understanding of local and regional economic development problems.

The Trade Adjustment Assistance (TAA) staff provided grants to Trade Adjustment Assistance Centers (TAAC) to assist firms and communities adversely affected by imports; and directed the certification of firms as eligible to apply for technical assistance. In FY 1995, grant assistance will be discontinued.

The Special Impact Assistance staff will provide agencywide support in the areas of natural disasters, defense economic conversion and strategically-targeted businesses.

The Credit and Debt Management and Liquidations staffs are being transferred in accordance with Credit Reform. This program is described in full on pages EDA-77 through EDA-90 under the appropriation account entitled "Economic development guaranteed loans."

Following is a listing of planned performance measures. During FY 1995, these performance measures will be further refined and a system for capturing, disseminating, and evaluating the impact of EDA programs will become fully operational.

Public Works and Development Facilities:

- 1) Direct and indirect jobs created and saved. 2) Number of companies established and expanded. 3) Private sector investments stimulated. 4) Amount of local and state funds leveraged. 5) Number of industrial and commercial acres served. 6) Number of impediments to economic growth removed by EDA Public Works projects, e.g., projects which increase water and sewage treatment plant capacities in order to attract new businesses and industries. 7) Number of trained persons placed in targeted industries as a result of EDA Public Works projects involving vocational-technical schools. 8) Number of EDA Public Works projects located in a state or federally-designated empowerment zone. 9) Number of projects that support technology development. 10) Number of projects that support minority business development.

Planning:

- 1) Applicants assisted. 2) Quality of staff and amount of time devoted to economic development. 3) Quality of economic development program and effectiveness in the implementation of the program.

Technical Assistance:

- 1) Number of applicants assisted. 2) Number of training seminars requested and conducted. 3) Number of followup surveys conducted. 4) Compliance to Scope of Work.

Research, Evaluation, and Demonstration:

Number and types of research, evaluation, or demonstration projects completed and/or research, evaluation, or demonstration projects undertaken and/or reports of findings routinely disseminated and/or reports of findings specifically requested.

Special Economic Development and Adjustment Assistance:

For construction projects, EDA will focus on on-site jobs, number of business incubators funded, and total employment. For RLF grants: Percent of business startups funded, percent of minority loans, percent of loans to women-owned firms, private sector leverage ratio to total Federal dollars, and default rate of RLP loans.

Defense Economic Investment:

Number of grants to implement base reuse plans categorized by award type (water treatment, incubator building, access road, RLFs), jobs supported or saved, strategy grants awarded, value of leveraged resources. While EDA will be tracking information of the type suggested for various purposes, we do not intend to use it for measuring performance for the following reasons:

- o number of grants awarded are in large measure a function of the funds available and even if measured against the universe of eligible recipients would not be very useful as the needs of each vary greatly; for example, they do not all need an EDA strategy grant; and
- o while jobs created has been a traditional EDA performance measure, it is fraught with problems, the most serious of which being that it can lead to suboptimal investments. Other well-documented problems are those of attrition, timing, etc. Resources leveraged suffers from the same problems, though to a lesser degree.

Department of Commerce
Economic Development Administration
Salaries and Expenses
DECREASE FOR 1995
(Dollar amounts in thousands)

ACTIVITY: ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS		1995 Base		1995 Estimate		Increase/Decrease over 1995 Base	
		Personnel	Amount	Personnel	Amount	Personnel	Amount
SUBACTIVITY: PROGRAM OPERATIONS							
	Trade Adjustment Assistance						
	Pos./BA	15	\$816	0	\$0	15	\$-816
	FTE/Obl.	13		0		13	
Special Impact Assistance							
	Pos./BA	0	0	11	661	-11	661
	FTE/Obl.	0		8		-8	
Total							
	Pos./BA	15	816	11	661	4	-155
	FTE/Obl.	13		8		-5	

Department of Commerce
Economic Development Administration
Salaries and Expenses
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

ACTIVITY: ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS		1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
		Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount
SUBACTIVITY: PROGRAM SUPPORT	Pos./BA	4	\$379	5	\$325	5	\$331	5	\$327	0	-4
	FTE/Obl.	5	221	5		5		5		0	
Deputy Assistant Secretary for Program Support	Pos./BA	5	2,741	8	2,909	8	4,081	8	4,130	0	49
	FTE/Obl.	5	2,852	8		8		8		0	
Budget	Pos./BA	15	750	16	761	16	776	15	764	-1	-12
	FTE/Obl.	14	626	14		14		13		-1	
Accounting	Pos./BA	10	1,994	14	1,121	14	1,147	14	2,888	0	1,741
	FTE/Obl.	11	2,281	11		11		11		0	
Information Systems	Pos./BA	3	155	4	155	4	172	4	169	0	-3
	FTE/Obl.	4	136	4		4		4		0	
Executive Secretariat	Pos./BA	11	582	11	741	11	742	11	736	0	-6
	FTE/Obl.	9	572	9		9		9		0	
Compliance Review	Pos./BA	4	408	7	401	7	411	7	751	0	340
	FTE/Obl.	6	288	7		7		7		0	
Operations, Review and Analysis	Pos./BA	52	7,009	65	6,413	65	7,660	64	9,765	-1	2,105
	FTE/Obl.	54	6,976	58		58		57		-1	
Total Direct Obligations											

Department of Commerce
Economic Development Administration
Salaries and Expenses

JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Economic Development Assistance Programs

Subactivity: Program support

Goals and Objectives

Goals: To provide comprehensive budget, program, administrative, management, and ADP support to all EDA components.

Objectives: To assist EDA components in the execution of their programs consistent with the intents of the Administration, the Secretary of Commerce, and the Congress.

Basic Program

The Deputy Assistant Secretary for Program Support serves as Internal Control Coordinator for EDA; is responsible for coordinating and evaluating internal management control systems; provides for the full range of administrative services, unless otherwise provided at the Departmental level, for EDA headquarters and, as required, for the Regional Offices; evaluates, reports, and makes recommendations on the optimum use of staff and physical assets by EDA; and serves as liaison with the Chief Financial Officer and the Assistant Secretary for Administration.

The Budget staff, in concert with top Agency and Departmental officials, develops and prepares the annual budgets for EDA. The Budget Officer is responsible for the total financial program of EDA and for the fiscal aspects of EDA programs entrusted to other Federal agencies; reviews and monitors a fiscal control system for both program and administrative expenses consistent with the requirements of the Anti-Deficiency Act, which shall include, but not be restricted to allotment of funds, operating budgets, employment limitations, and analyses of reports and resource proposals.

The Accounting staff develops and maintains accounting systems and prepares financial reports for internal and external use, according to the needs of management, the requirements of laws or regulations and established policies; provides accounting support for effective control of all funds administered to present accurately the status of all funds and authority within the requirements of the Anti-Deficiency Act and as required by the Budget Officer; analyzes financial and operating data to ensure that financial and management policies are being followed; and serves as the liaison with the Office of the Secretary and other Federal Agencies in all accounting matters.

The Information Systems staff plans, develops, acquires, and coordinates the use of automatic data processing systems and equipment for EDA; provides data processing services, including the conduct of feasibility studies and the development of systems and programs for the application of automatic data processing techniques; develops and maintains a comprehensive information and data base system to meet specified requirements for budgetary, administrative, planning, operational, program management, and program evaluation purposes; and provides periodic and special summary reports on current optional trends and performance comparisons to planned goals.

The Executive Secretariat staff develops and conducts a program for the efficient management of all official records, including a distribution system for administrative and program orders; develops and administers a report control system for all administrative and operational reports; receives all correspondence addressed to the Office of the Assistant Secretary, and assigns it to the appropriate office for action; records controlled and non-controlled correspondence, maintains prompt follow-up of replies to ensure that deadlines are met, maintains correspondence and policy files, and provides a selective reference service to files as requested by EDA officials.

The Compliance Review staff conducts Section 702 (excess capacity) studies; determines and recommends areas eligible for designation as economic development areas, as requested; coordinates all of EDA's environmental activities; develops agency procedures for complying with environmental legislation, regulations, and executive orders; serves as EDA's official under the provisions of the National Environmental Policy Act of 1969 (NEPA); establishes effective systems throughout EDA to obtain and monitor reports regarding the program of equality of opportunity and ensure compliance with Civil Rights Guidelines, Department and EDA Regulations; establishes report requirements to ensure equality of opportunity by participants in economic development programs, conducts on-site inspections, and receives, investigates, and adjusts complaints; evaluates EDA experience regarding the equal opportunity program from a project activity viewpoint; and establishes uniform equal opportunity standards and procedures to be followed in reviewing EDA projects.

The Operations, Review and Analysis staff provides technical assistance to the Assistant Secretary and staff of EDA in the areas of agencywide program and policy review, development and evaluation.

Department of Commerce
Economic Development Administration
Salaries and Expenses
INCREASES FOR 1995
(Dollar amounts in thousands)

ACTIVITY: ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS		1995 Base		1995 Estimate		Increase/Decrease over 1995 Base	
		Personnel	Amount	Personnel	Amount	Personnel	Amount
SUBACTIVITY: PROGRAM SUPPORT							
Budget	Pos./BA	8	\$4,081	8	\$4,130	0	\$49
	FTE/Obl.	8		8		0	
Information Systems	Pos./BA	14	1,147	14	2,888	0	1,741
	FTE/Obl.	11		11		0	
Operations, Review and Analysis	Pos./BA	7	411	7	751	0	340
	FTE/Obl.	7		7		0	
Total	Pos./BA	29	5,639	29	7,769	0	2,130
	FTE/Obl.	26		26		0	

Note: Amounts shown include the FTE reduction (-\$16) and Administrative savings (-\$5) for these line items.

Economic Development Administration
Salaries and Expenses
Program Change Detail by Object Class
(Dollar amounts in thousands)

Activity: Economic Development Assistance Programs
Subactivity: Program Support

	Object Class	1995 (Increase)
11	Personnel Compensation	
11.1	Full-time permanent	-14
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	0
11.8	Special personnel services payments	0
11.9	Total personnel compensation	-14
12.1	Civilian personnel benefits	-2
13.0	Benefits for former personnel	0
21.0	Travel and transportation of persons	4
22.0	Transportation of things	0
23.1	Rental payments to GSA	0
23.2	Rental payments to others	-12
23.3	Communications, utilities and miscellaneous charges	0
24.0	Printing and reproduction	0
25.2	Other services	1,571
25.3	Purchases of goods and services from Government Accounts	545
26.0	Supplies and materials	0
31.0	Equipment	28
99.9	TOTAL OBLIGATIONS	2,130

NOTE: Amounts shown include the FTE and Administrative savings reductions.

Department of Commerce
Economic Development Administration
Salaries and Expenses
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

ACTIVITY: ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS		1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
		Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount	FTE	Amount
SUBACTIVITY: ECONOMIC CONVERSION INFO.											
Economic Conversion Information	Pos./BA	0	0	0	0	0	0	0	8	\$2,310	8 \$2,310
	FTE/Obl.	0	0	0	\$700	0	0	0	11	0	11 0
Total Direct Obligations	Pos./BA	0	0	0	0	0	0	0	8	2,310	8 2,310
	FTE/Obl.	0	0	0	\$700	0	0	0	11	0	11 0

Department of Commerce
Economic Development Administration
Salaries and Expenses

JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Economic Development Assistance Programs

Subactivity: Economic conversion information

Goals and Objectives

Goals: To serve as a central information clearinghouse on matters relating to economic adjustment and defense conversion programs and activities of Federal, State and local governments.

Objectives: Develop and maintain a comprehensive information database for use by Federal departments and agencies, State and local governmental agencies, public and private entities, and individuals to assist in identifying economic adjustment and defense conversion programs and resources of Federal, State and local governments.

Basic Program

Post-Cold War Defense cuts and successive rounds of military base closures are causing substantial economic hardship in several regions of the country, affecting hundreds of communities, thousands of businesses, and perhaps as many as one million workers by the end of the decade. Federal resources for economic adjustment and investment assistance to help these communities, businesses and workers make the transition to civilian activities are spread out among a large number of Federal departments and agencies. To address these problems, EDA, working jointly with the Department of Defense, Office of Economic Adjustment, established an Office of Economic Conversion Information. The office serves as a central information clearinghouse of Federal, State, and local economic adjustment programs, a "one-stop-information shop."

Department of Commerce
Economic Development Administration
Salaries and Expenses
INCREASES FOR 1995
(in thousands of dollars)

ACTIVITY: ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS		1995 Base		1995 Estimate		Increase/Decrease	
SUBACTIVITY: ECONOMIC CONVERSION INFORMATION		Personnel	Amount	Personnel	Amount	Personnel	Amount
Economic Conversion Information	Pos./BA	0	\$0	8	\$2,310	8	\$2,310
	FTE/Obl.	0	0	11		11	

Program Increase

Resources are requested to permanently fund and expand the operations of the Office of Economic Conversion Information. In addition to its on-going mission of enhancing and expanding available information on economic conversion, the Office of Economic Conversion Information will:

- o Continuously update and expand the information base through in-house research and customer feedback;
- o Increase the ease of access to needed information for computer-based customers;
- o Solicit information from customers to be shared through the clearinghouse and facilitate communication and information sharing among and between customer groups; and
- o Facilitate interagency and intergovernmental cooperation to improve the coordination of and access to existing information.

Department of Commerce
Economic Development Administration
Salaries and Expenses
Program Change Personnel Detail

Activity: Economic Development Assistance Programs

Subactivity: Economic Conversion Information

Program Change: To Permanently Fund and Expand the Office of Economic Conversion Information

<u>Title</u>	<u>Grade</u>	<u>Number</u>	<u>Annual Salary</u>	<u>Total Salaries</u>
Director	GS-15	1	\$90,252	\$90,252
Defense Adjustment Specialist	GS-12	2	42,003	84,006
Computer Assistant	GS- 9	1	28,964	28,964
Secretary	GS- 7	1	23,678	23,678
Clerk-Typist	GS- 4	1	17,086	17,086
Subtotal full-time permanent positions		6		243,986
Less lapse		-3		-60,996
Subtotal full-time permanent (FTE)		3		\$182,990
Deputy Director	GS-15	1	66,609	69,477
Program Analyst	GS-14	1	57,476	59,022
Adjustment Information Specialist	GS-13	1	48,639	49,947
Program Analyst	GS-12	1	40,902	42,003
Administrative Assistant	GS- 7	1	23,678	23,678
Subtotal full-time permanent positions		5		244,127
Total, full-time permanent (FTE)		8		427,117
1994 Pay Adjustment (1.6%)				6,834
Total				433,951

Personnel Data

Full-time Equivalent Employment

Full-time permanent

Other than full-time permanent

Total

Authorized Positions:

Full-time permanent

Other than full-time permanent

Total

Economic Development Administration
Salaries and Expenses
Program Change Detail by Object Class
(Dollar amounts in thousands)

Activity: Economic Development Assistance Programs
Subactivity: Economic Conversion Information
Program Change: Maintenance and Expansion of Staff Operation Begun in FY 1994

	Object Class	Increase/ (Decrease)
11	Personnel Compensation	
11.1	Full-time permanent	\$434
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	5
11.9	Total personnel compensation	439
12.1	Civilian personnel benefits	83
13.0	Benefits for former personnel	0
21.0	Travel and transportation of persons	186
22.0	Transportation of things	13
23.1	Rental payments to GSA	0
23.2	Rental payments to others	0
23.3	Communications, utilities and miscellaneous charges	234
24.0	Printing and reproduction	78
25.1	Consulting services	0
25.2	Other services	1,138
26.0	Supplies and materials	39
31.0	Equipment	100
43.0	Interest and dividends	0
44.0	Refunds	0
99.9	TOTAL OBLIGATIONS	2,310

Department of Commerce
Economic Development Administration
Salaries and Expenses
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

ACTIVITY: ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS		1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
SUBACTIVITY: REGIONAL OPERATIONS		Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount	FTE	Amount
Philadelphia	Pos./BA	44	\$2,751	46	\$3,260	46	\$3,284	44	\$3,250	-2	\$-34
	FTE/Obl.	41	3,144	44		44		42		-2	
Chicago	Pos./BA	36	2,140	35	2,552	35	2,574	35	2,546	0	-28
	FTE/Obl.	34	2,393	35		35		35		0	
Seattle	Pos./BA	38	2,370	38	2,710	38	2,734	37	2,705	-1	-29
	FTE/Obl.	36	2,282	37		37		36		-1	
Austin	Pos./BA	28	1,677	32	2,033	32	2,047	27	2,026	-5	-21
	FTE/Obl.	27	1,738	27		27		25		-2	
Atlanta	Pos./BA	36	2,266	37	2,602	37	2,622	37	2,594	0	-28
	FTE/Obl.	34	2,202	36		36		36		0	
Denver	Pos./BA	27	1,684	26	1,922	26	1,942	26	1,921	0	-21
	FTE/Obl.	25	1,840	27		27		26		-1	
Total Direct Obligations	Pos./BA	209	12,888	214	15,079	214	15,203	206	15,042	-8	-161
	FTE/Obl.	197	13,599	206	0	206		200		-6	

Department of Commerce
Economic Development Administration
Salaries and Expenses
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Economic Development Assistance Programs

Subactivity: Regional operations

Goals and Objectives

Goals: Provide at the regional/local levels coordinated outreach and assistance to existing and potential grantees.

Objectives: Execute policies and procedures for the effective operation of all EDA programs and projects; to monitor the evolution of previously approved projects to ensure completion in accordance with conditions stated in the grants and in law; and to assist the Inspector General's staff with audit closeouts.

Base Program

Regional operations include the six Regional Directors and their supporting technical, administrative and clerical personnel. Regional Directors are responsible for the implementation of EDA's program within specific geographical areas and assist in the management of resources and the processing, monitoring and servicing of projects. Regional Councils provide the legal reviews required to execute and administer regional projects. The Public Works, Planning and Technical Assistance and Economic Adjustment staffs process applications for economic development assistance and monitor and service approved projects at the local level. Economic Development Representatives provide outreach and assistance at the local level.

Department of Commerce
Economic Development Administration
Salaries and Expenses
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

	Object Class	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease)
11	Personnel Compensation					
11.1	Full-time permanent	\$15,740	\$18,751	\$18,185	\$18,060	\$-125
11.3	Other than full-time permanent	79	84	88	88	0
11.5	Other personnel compensation	291	246	238	241	3
11.9	Total personnel compensation	16,110	19,081	18,511	18,389	-122
12.1	Civilian personnel benefits	3,036	3,714	3,573	3,680	107
13.0	Benefits for former personnel	58	0	0	0	0
21.0	Travel and transportation of persons	798	992	948	1,134	186
22.0	Transportation of things	20	28	28	45	17
23.1	Rental payments to GSA	2,180	2,226	2,340	2,305	-35
23.2	Rental payments to others	5	14	19	7	-12
23.3	Communications, utilities and miscellaneous charges	347	146	146	380	234
24.0	Printing and reproduction	89	80	82	160	78
25.2	Other services	1,235	33	1,349	4,267	2,918
25.3	Purchase of goods and services from Government Accounts	1,437	1,484	1,366	1,911	545
26.0	Supplies and materials	194	130	130	169	39
31.0	Equipment	138	72	72	200	128
43.0	Interest and dividends	1	0	0	0	0
99.0	Subtotal Direct Obligations	25,648	28,000	28,564	32,647	4,083
99.0	Reimbursable Obligations	2,963	2,333	2,333	160	-2,173
99.9	TOTAL OBLIGATIONS	28,611	30,333	30,897	32,807	1,910
	Less prior year recoveries					0
	Total Budget Authority (Gross)	28,611	30,333	30,897	32,807	1,910

SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

PERSONNEL DATA		1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease)
Full-Time Equivalent Employment:						
Full-time permanent		332	344	330	326	\$-4
Other than full-time permanent		11	11	11	11	0
Total		343	355	341	337	-4
Authorized Positions:						
Full-time permanent		344	373	360	356	-4
Other than full-time permanent		2	2	2	2	0
Total		346	375	362	358	-4

Note: Full-time Equivalent Employment includes two (2) reimbursable FTE.

Department of Commerce
Economic Development Administration
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	1995 Adjustments to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
11 Personnel Compensation				
11.1 Full-time permanent:				
Executive Level	0	\$116	\$116	0
Senior Executive Service (SES)	\$36	775	846	71
General Schedule	-602	17,294	17,098	\$-196
Subtotal	-566	18,185	18,060	-125
11.3 Other than full-time permanent:				
General schedule (part-time permanent)	4	88	88	0
11.5 Other personnel compensation:				
Overtime	-2	16	16	0
SES performance awards	0	13	14	1
Cash awards	-6	130	131	1
Merit pay awards	0	79	80	1
Subtotal	-8	238	241	3
11.9 Total personnel compensation	-570	18,511	18,369	-122
12.1 Civilian personnel benefits:				
Civil Service Retirement System and offset	-95	875	884	9
Federal Employees' Retirement System	5	624	646	22
Thrift Savings Plan	-8	201	256	55

Object Class	1995 Adjustments to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
12.1 Civilian personnel benefits: (Cont'd)				
OASDI	\$11	\$424	\$430	\$6
Medicare	-20	252	258	6
Health insurance	-13	806	814	8
Life insurance	-3	33	34	1
Employees' Compensation Fund	-48	290	290	0
Cost of Living Allowance (COLA)	30	68	68	0
Subtotal	-141	3,573	3,680	107
13.0 Benefits for former personnel:				
Severance pay	0	0	0	0
21.0 Travel and transportation of persons:				
Common carrier	-39	398	483	85
Per diem/actual expenses	-5	322	377	55
Privately-owned vehicles	0	120	148	28
Commercially-rent vehicles	0	29	37	8
Other	0	79	89	10
Subtotal	-44	948	1,134	186
22.0 Transportation of things	0	28	45	17
23.1 Rental payments to GSA	114	2,340	2,305	-35
23.2 Rental payments to others	5	19	7	-12
23.3 Communications, utilities and miscellaneous charges:				
Federal Telecommunications System	0	100	260	160
Other telecommunications services	0	1	3	2
Postal services by USPS	0	45	117	72
Subtotal	0	146	380	234

Object Class		1995 Adjustments to Base	1995 Base	1995 Estimate	Increase/ (Decrease)
24.0	Printing and reproduction:				
	Envelopes	\$1	\$43	\$121	\$78
	Other (Payments to WCF)	1	39	39	0
	Subtotal	2	82	160	78
25.2	Other services:				
	Training:				
	Office of Personnel Management	-9	105	105	0
	Other	0	38	38	0
	Maintenance of equipment	0	349	349	0
	ADP services (NOAA)	0	163	163	0
	Other non-government contracts	32	216	216	0
	Other	0	478	3,396	2,918
	Subtotal	23	1,349	4,267	2,918
25.3	Purchases of goods and services from Government Accounts	1,175	1,366	1,911	545
26.0	Supplies and materials:				
	Office supplies	0	69	84	15
	ADP supplies	0	28	43	15
	Other	0	33	42	9
	Subtotal	0	130	169	39
31.0	Equipment	0	72	200	128
99.0	Subtotal Direct Obligations	564	28,564	32,647	4,083
99.0	Reimbursable Obligations	0	2,333	160	-2,173
99.9	TOTAL OBLIGATIONS	564	30,897	32,807	1,910
	Less prior year recoveries				0
	Total Budget Authority (Gross)	564	30,897	32,807	1,910

Department of Commerce
Economic Development Administration
APPROPRIATION SUMMARY STATEMENT

Appropriation: Salaries and Expenses (\$32,647,000)

The Salaries and Expenses appropriation finances salaries, benefits and other expenses for personnel engaged in the administration of economic development assistance programs authorized by the Public Works and Economic Development Act of 1965, as amended. This appropriation also finances the costs of services provided to EDA by other Federal and non-Federal sources, and for other related direct and indirect administrative costs incurred in operating the Agency.

The funds requested support an economic development program which includes: (1) planning assistance to local communities; (2) technical assistance in the formulation and coordination of economic development proposals and applications; (3) financing of those grant projects with the greatest program pay-offs which meet the technical, financial and statutory requirements of the legislation; (4) project surveillance and implementation assistance to assure effectiveness in project execution; (5) evaluation of EDA projects to develop more effective ways to provide assistance; and (6) internal and external economic research designed to meet both planning and operating needs related to economic development.

The "Salaries and expenses" appropriation is comprised of five major subactivities: 1) Executive Direction; 2) Program Operations; 3) Program Support; 4) Economic Conversion Information and 5) Regional Operations. The Regional Operations subactivity is comprised of 206 permanent positions in six regional offices and 47 Economic Development Representatives (EDRs) located in 43 of the 50 states and Puerto Rico. The other four subactivities consist of 152 authorized positions, including two national EDRs, all of which are located in Washington.

During FY 1995, EDA will concentrate on streamlining grants administration, increasing budget, program and evaluation efforts, and upgrading management information systems (0 pos., +\$2,151). Consistent with the overall objectives of this Administration, we are proposing FTE reductions and administrative savings (-5 pos., -\$378). An increase is requested to permanently fund and expand the Office of Economic Conversion Information (11 pos., +\$2,310). Position decreases in other areas will offset the increase (-10 pos.).

Department of Commerce
Economic Development Administration
Salaries and Expenses

APPROPRIATION LANGUAGE AND CODE CITATIONS

1. For necessary expenses of administering the economic development assistance programs as provided for by law, \$32,647,000:

42 U.S.C. 3218, 3219

42 U.S.C. 3218(c) - Authorizes the transfer of appropriated funds between department and agencies of the Government, if such funds are used for the purpose for which they are specifically authorized and appropriated.

42 U.S.C. 3219 - Authorizes the appropriation of such sums as may be necessary to carry out those provisions of the Public Works and Economic Development Act of 1965, as amended, for which specific authority is not otherwise provided.

2. Provided, That these funds may be used to monitor projects approved pursuant to title I of the Public Works Employment Act of 1976, as amended,

42 U.S.C. 6710(c)

42 U.S.C. 6710 - Public Works Employment Act of 1976 authorizes the appropriation of such sums as may be necessary for the administration of this Act. This program provides funds for the monitoring and evaluation of projects funded under this local public works program.

3. title II of the Trade Act of 1974, as amended,

19 U.S.C. 2346(b)

19 U.S.C. 2346(b) authorizes the appropriation of such sums as may be necessary to carry out these functions.

4. and the Community Emergency Drought Relief Act of 1977.

42 U.S.C. 5184

42 U.S.C. 5184 - Authorizes the appropriation of such sums as may be necessary to carry out those provisions of the Community Emergency Drought Relief Act of 1977.

Page No.:		Pos.	FTE	Budget Authority
EDA-61	President's Budget, 1994	0	0	\$322,642
	Plus: 1995 Adjustments to base	0	0	598
	1995 Base	0	0	323,240
	Less: Administrative savings	0	0	-32
EDA-62	Plus: 1995 program changes	0	0	3,816
	1995 Estimate	0	0	327,024

		COMPARISON BY ACTIVITY		1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
				Peri.	Amount	Peri.	Amount	Peri.	Amount	Peri.	Amount	Peri.	Amount
EDA-63	Public works and development facilities	Pos./BA	0	\$137,496	0	\$160,000	0	\$160,000	0	\$130,924	0	\$29,076	
		FTE/Obl.	0	136,759	0	171,906	0		0		0	0	0
	Districts	Pos./BA	0	17,353	0	18,583	0	19,003	0	18,577	0	(426)	
		FTE/Obl.	0	17,429	0	18,583	0		0		0	0	0
	Indiana	Pos./BA	0	2,901	0	2,901	0	2,971	0	2,904	0	(67)	
		FTE/Obl.	0	2,852	0	2,901	0		0		0	0	0
	States	Pos./BA	0	1,933	0	1,933	0	1,979	0	1,935	0	(44)	
		FTE/Obl.	0	1,749	0	1,933	0		0		0	0	0
	Urban	Pos./BA	0	2,583	0	2,583	0	2,645	0	2,584	0	(61)	
		FTE/Obl.	0	2,394	0	2,583	0		0		0	0	0
EDA-65	Subtotal, Planning	Pos./BA	0	24,770	0	26,000	0	26,598	0	26,000	0	(598)	
		FTE/Obl.	0	24,424	0	26,000	0	0	0	0	0	0	0

SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

	COMPARISON BY ACTIVITY		1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
			Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount
		Pos./BA	0	\$600	0	\$1,500	0	\$1,500	0	\$1,500	0	0
	Local technical assistance	FTE/Obl.	0	677	0	3,386	0		0		0	0
		Pos./BA	0	830	0	1,530	0	1,530	0	1,530	0	0
	National technical assistance	FTE/Obl.	0	1,249	0	1,530	0		0		0	0
		Pos./BA	0	7,570	0	7,570	0	7,570	0	7,570	0	0
	University centers	FTE/Obl.	0	7,570	0	7,570	0		0		0	0
EDA-67	Subtotal, Technical assistance	Pos./BA	0	9,000	0	10,600	0	10,600	0	10,600	0	0
		FTE/Obl.	0	9,496	0	12,486	0	0	0	0	0	0
EDA-69	Research, evaluation, and demonstration	Pos./BA	0	0	0	500	0	500	0	500	0	0
		FTE/Obl.	0	0	0	500	0		0		0	0
EDA-70	Trade adjustment assistance	Pos./BA	0	13,770	0	10,000	0	10,000	0	0	0	\$10,000
		FTE/Obl.	0	14,030	0	10,000	0		0		0	0
EDA-71	Special econ. dev. and adjustment	Pos./BA	0	22,075	0	35,542	0	35,542	0	19,000	0	(16,542)
		FTE/Obl.	0	21,815	0	35,559	0		0		0	0
EDA-73	Defense Economic Investment	Pos./BA	0	0	0	80,000	0	80,000	0	140,000	0	60,000
		FTE/Obl.	0	0	0	80,000	0		0		0	0
	Midwest Flood of 1993	Pos./BA	0	100,000	0	0	0	0	0	0	0	0
		FTE/Obl.	0	5,382	0	94,619	0					
	Total	Pos./BA	0	307,061	0	322,642	0	323,240	0	327,024	0	3,784
		FTE/Obl.	0	211,906	0	431,070	0	0	0	0	0	0
	Transfer	Pos./BA	0	9,939	0	0	0	0	0	0	0	0
		FTE/Obl.	0	0	0	0	0	0	0	0	0	0
	Appropriation	Pos./BA	0	317,000	0	322,642	0	323,240	0	327,024	0	3,784
		FTE/Obl.	0	0	0	0	0	0	0	0	0	0

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
SUMMARY OF FINANCING
(Dollar amounts in thousands)

	1993	1994	1995	1995	Increase/ (Decrease)
	Actual Amount	Currently Available Amount	Base Amount	Estimate Amount	
Total Obligations	\$304,247	\$538,175	\$323,740	\$327,524	\$3,784
Financing:					
Offsetting collections from:					
Federal funds	-81,000	-1,300	-500	-500	0
Trust funds					
Non-Federal sources					
Recoveries					
Unobligated balance, start-of-year	-135,982	-219,233	0	0	0
Unobligated balance transferred		5,000			
Unobligated balance, end-of-year	219,233	0	0	0	0
Unobligated balance lapsing	563				
Budget Authority	307,061	322,642	323,240	327,024	3,784
Transferred to/from other accounts	9,939				
Sequester					
Appropriation	317,000	322,642	323,240	327,024	3,784

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
SUMMARY AND JUSTIFICATION OF ADJUSTMENTS TO BASE AND BUILT-IN CHANGES
(Dollar amounts in thousands)

	<u>FTE</u>	<u>Amount</u>
Inflationary Adjustment for Planning Grants	0	\$598

An increase of \$598,000 or 2.3 percent over the Planning Grant base of \$26,000,000 is required to fund salary-related inflationary cost increases associated with this program.

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
Administrative Savings for FY 1995

(Dollar amounts in thousands)

	1995 Base		1995 Estimate		Increase/Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount
Economic Development Assistance Programs:	0	\$323,240	0	\$323,208	0	-\$32
Districts	0	19,003	0	18,981	0	-22
Indians	0	2,971	0	2,967	0	-4
States	0	1,979	0	1,977	0	-2
Urban	0	2,645	0	2,641	0	-4
Total, Planning	0	26,598	0	26,566	0	-32

NOTE: Reduction applied solely to object class 41.0.

	1995	1996	1997	1998	1999
Cost and Benefits:					
Direct Obligations:					
Noncapitalized	-32	-64	-117	-117	-117
Budget Authority	-32	-64	-117	-117	-117
Outlays	-3	-16	-42	-74	-98
FTE	0	0	0	0	0
Benefits, in dollars	0	0	0	0	0

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Public works and development facilities

Goals and Objectives

Goals: To promote economic development through grants for public works and development facilities which will facilitate the creation or retention of private sector employment opportunities and increase income levels and, in addition, promote short-term job creation activities through the Public Works Impact Program.

Objectives: To provide grants for the construction, expansion, or renovation of facilities which will complement local funds in creating and/or saving jobs and will assist in leveraging private investments. Assistance is provided to develop a structure conducive to the locations of commercial and industrial enterprises thereby stabilizing and diversifying local economies, initiating development in certain communities or parts thereof and providing essential services to communities with highly depressed economies.

Base Program

The Public Works and Development Facilities program provides grants for the construction, expansion, or renovation of projects which (1) offer substantial employment potential, (2) improve the capacity for economic growth through the development of a structure conducive to the location of industrial and commercial enterprises, or (3) provide essential services necessary as an economic base in distressed areas. The program helps finance the construction of such projects as industrial and high-tech business parks, industrial access roads, skills training facilities, water and sewer improvements, business incubator buildings, the expansion of harbor and airport facilities, and other essential facilities designed to improve the economic opportunities in distressed areas by encouraging related private sector investment.

o Direct grants – Direct grants for Redevelopment Areas (including areas within Districts) are authorized under the Public Works and Economic Development Act for up to 80 percent (100 percent for Indian tribes) of a project's cost. Direct grants for economic development centers are also authorized. Direct grants may be used to acquire, construct, rehabilitate, alter, expand, or improve facilities, and may include the acquisition of machinery and equipment.

o Bonus grants – Bonus grants permit Federal participation in the amount of an additional 10 percent, but not more than a total of 80 percent of the total project cost, of selected projects located in Redevelopment Areas within multi-county development districts. Bonus grants provide an additional stimulus for Redevelopment Areas to participate in EDA's District economic development programs.

o **Public Works Impact Program (PWIP)** -- This program provides immediate useful work for the unemployed of the project areas, basically through construction jobs. The Public Works and Economic Development Act has required that not less than 15 nor more than 35 percent of the funds appropriated under Title I shall be used for PWIP projects. The grant rate ranges from 80 to 100 percent on PWIP projects.

Measures of Performance (planned): 1) Direct and indirect jobs created and saved. 2) Number of companies established and expanded. 3) Private sector investments stimulated. 4) Amount of local and state funds leveraged. 5) Number of industrial and commercial acres served. 6) Number of impediments to economic growth removed by EDA Public Works projects; e.g., projects which increase water and sewage treatment plant capacities in order to attract new businesses and industries. 7) Number of trained persons placed in targeted industries as a result of EDA Public Works projects involving vocational-technical schools. 8) Number of EDA Public Works projects located in a state or federally-designated empowerment zone. 9) Number of projects that support technology development. 10) Number of projects that support minority business development. 11) Number of projects that support trade development.

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Planning

Goals and Objectives

Goals: To develop a capacity and to maintain a process for economic development planning that is comprehensive in scope, is coordinated with other private sector programs and other levels of government, and guides the effective use of public and private resources in the retention of existing jobs, increasing incomes, economic opportunity and per capita income and in creating jobs for the unemployed and underemployed, especially in economically distressed areas.

Objectives: To assist districts, areas, States and territories, Indian reservations and urban communities to establish, maintain and develop the capacity to identify economic problems in the context of national and subnational trends, assess the availability of local and non-local resources, and formulate and implement realistic development strategies at all levels of government. To assist in planning for adjustment to DOD realignments, environmental regulations, disasters, and disruptions caused by other factors including import competition, individual corporate decisions, and product or process obsolescences.

Base Program

Planning programs are a key element in achieving EDA's long-term goals. Planning involves the assessment of the local economic situation, the development of policies and goals and the preparation of local investment strategies that guide resource allocation and project development. From such planning efforts flow technical assistance, public works, private sector business loans/guarantees, and other investment proposals for job creation and retention. Planning grantees develop the capability to use more effectively these investment tools, available both from EDA and other Federal Agencies, and to coordinate their delivery at the State, area-wide and local levels.

Districts:

Economic Development Districts are multi-county development organizations composed of local government, private sector and minority representatives. Districts have been established to design area-wide, long-term economic development programs which address common economic problems, to assist local units of government in implementing their economic development programs, and to obtain the involvement of principal economic interests and economically distressed citizens in public economic development decisionmaking.

EDA's District program is among the most sophisticated and effective Federal local delivery systems in the Nation. The Economic Development Districts, operating nationwide, form a crucial link in the Federal-local relationship, matching the needs of local areas to available State and Federal programs and private resources. Although the District program was originated by the Agency, EDA funding is used to more effectively leverage Federal and state, local and private

resources, resulting in the generation of effective and broad-based institutional capabilities for local economic development. At the Base level, EDA funds approximately 300 Districts and Redevelopment Areas annually.

Ind :

EDA's Indian planning program has as its major objective the promotion of economic self-determination and growth by developing the institutional capacity required by Indian reservations to formulate and carry out realistic development objectives and plans. The EDA Indian program serves numerous reservations, many of which lack the basic public facilities and services essential to raising their standard of living, by supporting professional economic development planners who direct their efforts to the development of solutions to those problems. Economic development planning can be expected to lead to the basic infrastructure necessary for subsequent economic development. Further efforts are intended to expand and diversify existing economic activity by preserving or creating jobs and removing impediments to continued economic development on the reservations. At the Base level, EDA funds some 60 Indian organizations annually.

States:

EDA administers a program of state planning grants in order to help the States in attaining the capacity to plan and coordinate economic development activities at the State and sub-state level. Many economic problems cross local political boundaries and can encompass state-wide areas. Moreover, local governments do not always have the legal authority or the financial resources necessary to undertake effective economic development or adjustment programs. To meet these problems, EDA's State program has the following as its major objectives: to provide States with the institutional capacity to respond to State and substate economic changes associated with diverse development trends affecting the location and relocation of industry; and to identify development objectives, provide strategies and plan implementation methods to leverage public and private sector capital that will result in long-term employment opportunities. At the Base level, EDA funds 15-20 state organizations annually.

Urban:

The urban planning program focuses on those cities and urban counties which comprise the core of metropolitan areas and are characterized by high population densities and complex economies. The goal of this program is to generate economic improvements in cities and other urban entities by providing them with the capacity to overcome their economic development problems. At the Base level, EDA awards approximately 20 urban planning grants annually. EDA's objectives with cities and urban counties are to diversify and strengthen the economic base; contribute to the creation of employment opportunities for central city unemployed; and augment the planning and implementation capacities of city and county governments to integrate local and Federal resources so that they can (1) generate commercial and industrial enterprises; (2) provide necessary assistance to leverage private sector investment capital and facilitate business development; and (3) adjust to changing regional and national market forces. In recognition of the complexity of the economic and social fabric of cities, EDA also assists non-governmental institutions having the capacity to integrate neighborhood developmental activities within the scope of city-wide planning.

Measures of Performance (planned): 1) Applicants assisted. 2) Quality of staff and amount of time devoted to economic development. 3) Quality of economic development program and effectiveness in the implementation of the program.

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Technical assistance

Goals and Objectives

Goals: To provide a flexible and effective means of federally responding to issues of economic development, jobs creation, and jobs retention. To mobilize and facilitate the investment of non-federal resources through the transfer of technical information at both the local and national levels.

Objectives: To provide feasibility and industry studies, natural resource development and export promotion. To fund studies of topical issues (technology transfer, business financing). To enable University Centers to provide comprehensive assistance specifically tailored to meet the economic needs of their serviced areas without duplicating assistance of other federal agencies.

Base Program

The key to finding new sources of jobs and income in a lagging area often lies in furnishing missing know-how, technical information, expert opinion, and counseling. To meet this need, EDA offers a broad range of technical assistance to communities and organizations so they will be able to evaluate the resources at hand and make the best use of them, thereby laying the foundation for community economic development. Technical assistance provides information, data, and know-how for evaluating and/or shaping specific projects and programs in economic development, and can be used to evaluate the feasibility of potential development grants and development finance investments.

The local technical assistance program is designed to stimulate local responses to economic development problems by providing information and other assistance necessary to expand infrastructure, strengthen local leadership, bring about desired local economic changes and assist the community in the decision making process related to capital investment and new business ventures. Technical assistance activities are directed primarily toward gaining the knowledge needed to carry out specific projects which are a part of comprehensive business development strategies. This program provides assistance in developing specific industry and site analyses for public/private investments; market analyses; strategies for obtaining financial resources necessary to support specific development projects, and similar knowledge - seeking projects. The assistance is rendered through feasibility studies, management and operational assistance, on-site technical expertise and training, marketing assistance, and technology transfer. The Agency also supports non-profit, local development organizations and management and training groups whose programs focus on improving the economic conditions of Native Americans. Base resources permit the annual funding of approximately 60 communities, community-based organizations, and not-for-profit corporations.

National associations such as the Council of State Governments, the National Association of Development Organizations, the National League of Cities, and the Council for Urban Economic Development, are used to provide links between themselves and their counterparts in state and local governments. These organizations act as information exchange media among their membership and are responsible for developing national economic development priorities. These associations continue to be important factors in the area of economic adjustment. By supporting national organizations, the technical assistance program utilizes their capabilities and thereby enhances the effectiveness of Agency funds. Base resources permit the annual funding of approximately 20 national associations. University Centers provide specifically tailored economic development assistance and job-saving technical support at the local level by providing professional expertise or special studies which are beyond the capacity of the local staff and unavailable from other governmental sources. Base resources permit the annual funding of approximately 65 University Centers nationwide.

Measures of Performance (planned): Beginning in FY 1995, EDA will use: 1) Number of applicants assisted. 2) Number of training seminars requested and conducted. 3) Number of followup surveys conducted. 4) Compliance to Scope of Work.

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Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Research, evaluation, and demonstration

Goals and Objectives

Goals: To elicit the maximum employment and economic development impact from EDA programs, through new knowledge, analyses, demonstration projects and data presentation that ensure a realistic assessment of economic development problems and potential solutions. To aid EDA, other development organizations, States and communities in understanding economic development problems and issues, designing economic development programs, and making policy decisions. To assure the most effective possible delivery of economic development assistance through periodic evaluations of Agency programs.

Objectives: To conduct appropriate research in high priority areas. This research serves as a baseline in support of DOC/EDA policy formulation and decisions and for the identification of new research hypotheses. To undertake state-of-the-art research which brings together existing research in a format which is usable at the regional, State and local levels. To implement, assess and revise the research dissemination strategy to assure the broad dissemination of useful research information through publications, policy seminars, and other dissemination techniques. To periodically conduct comprehensive evaluations of EDA programs and examine their effectiveness according to applicable operational and policy criteria.

Base Program

The assurance of a successful EDA program lies in a reliable and thorough research program capable of furnishing accurate and timely information upon which program and policy decisions can be based. The EDA research program is carried out through external research undertaken through contract, grant or transfer arrangements, and in-house studies and analyses. Specific research areas will continue to reflect emerging and anticipated economic development problems and will seek to identify programs and policies suitable for providing long-term economic vitality and stability.

The review and dissemination of available research results, appropriate analytical tools and data are an important part of the EDA research program. Through its program of basic and applied economic research, EDA will continue to provide a broad range of information to guide its own programs and those of State and local economic development agencies. EDA's program evaluation activities have provided much valuable information to Agency decisionmakers about the effectiveness of EDA programs and the cost of obtaining desired economic development results. Such studies are made available to the Department of Commerce, the OMB, and the Congress so that they may use the information to arrive at rational decisions regarding EDA's economic development programs. The Base provides for four to six scope-limited grants annually.

Measures of Performance (planned): Number and types of research, evaluation, or demonstration projects completed and/or research, evaluation, or demonstration projects undertaken and/or reports of findings routinely disseminated and/or reports of findings specifically requested.

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Trade adjustment assistance

Goals and Objectives

Goals: To provide technical assistance to trade-injured firms and industries to help them regain the ability to compete in the global economy. To certify firms/industries eligible for such assistance.

Objectives: To provide funding to Trade Adjustment Assistance Centers and representative industry organizations to provide hands-on assistance and to undertake activities to help trade-impacted firms/industries.

Base Program

Trade Adjustment Assistance: EDA's Trade Adjustment Technical Assistance program offers adjustment assistance to trade-impacted firms and industries. Trade-impacted firms are assisted in preparation of certification petitions, general diagnosis of their problems and opportunities, and solution of specific problems in implementing their plans for economic recovery. Firms can be assisted either directly by EDA through grants to qualified industry experts (consultants) or through the Trade Adjustment Assistance Center (TAAC) program.

Proposed FY 1995 Decrease

During FY 1995, EDA will discontinue funding to the TAACs and industry organizations. Technical assistance to trade-impacted firms and industries will be provided through EDA's traditional program entities and other Commerce bureaus, such as the Minority Business Development Agency and the National Institute of Standards and Technology, and the SBA.

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Special economic development and adjustment assistance

Goals and Objectives

Goals: To increase the capacity of communities to develop and implement strategies for restructuring and rebuilding their economic base in response to changes resulting from global competition, Federal environmental and regulatory actions, long-term economic deterioration, natural disasters, and technological development.

Objectives: Faced with the growing number of communities experiencing structural adjustment problems, EDA's strategy is to use its resource in ways that enable such communities to take responsibility for and control of their economic future. In implementing this strategy, EDA's objectives are to: 1) provide impacted communities with the skills and knowledge needed to organize and carry out a strategic planning process focusing on increasing the productivity and competitiveness of a community's assets (existing industries and businesses, natural resources, and labor force skills); 2) reinforce the capacity of public officials and development organizations to work more effectively with their business community to identify and address the needs of strategically targeted firms for: management assistance, access to information, help with marketing and modernization, and both conventional and creative sources of financing; and in organizing collaborative alliances among firms that can increase their overall competitiveness and production; 3) overcome critical impediments to a community's ability to move forward with implementation of its adjustment strategy; and 4) enable communities to coordinate and strategically target local, state, and Federal resources available to support economic recovery from Federal actions adversely affecting a major industrial sector and/or the economy of a discrete geographic region, and from natural disasters.

Base Program

The economic adjustment assistance program is authorized by Title IX of PWEDA. The purpose of the program is to help local areas develop and/or implement comprehensive adjustment strategies designed either to anticipate and prevent economic dislocation or to reestablish employment opportunities and economic stability as soon as possible after dislocation occurs; or to adjust to problems resulting from severe, long-term economic deterioration.

Redevelopment Areas and Economic Development Districts established under the authority of Title IV of PWEDA, Indian tribes, States, cities or other political subdivisions of a state or a combination of such political subdivisions are eligible to receive assistance under this program. The Title IX program is used to address a broad range of economic adjustment problems. Grants may be made directly to eligible recipients who have a special need relating to an actual or expected rise in unemployment or other economic adjustment problems. Grants approved under this title may be used in direct expenditures by the applicant or through redistribution to public and private groups through loans, loan guarantees, or other assistance. Title IX plays an important role in the Federal

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response to disasters, in concert with FEMA and other agencies, to the specific end of helping an area restore its local economy. Title IX assistance is the only Federal tool available to fill certain gaps in disaster recovery efforts, especially those related to the restoration of previous levels of local economic activity. As distinguished from FEMA which responds to immediate needs of life, health, shelter and security, EDA's recovery assistance program is structured to assist the community in long-term recovery where the economic base of the area has been severely impacted by a natural disaster.

Measures of Performance (planned): For construction projects, EDA will focus on on-site jobs, number of business incubators funded, and total employment. For RLF grants: Percent of business startups funded, percent of minority loans, percent of loans to women-owned firms, private sector leverage ratio to total Federal dollars, and default rate of RLF loans.

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Defense economic investment

Goals and Objectives

Goals: To increase the capacity of communities to develop and implement strategies for restructuring and rebuilding their economic base in response to changes resulting from Department of Defense (DOD), post-Cold War downsizing including the impact of such downsizing on the Department of Energy facilities and procurement reductions.

Objectives: To provide communities impacted with DOD downsizing with a full-range of flexible economic development tools for developing integrated plans to adjust to economic dislocations and further assist in the implementation of these plans.

Base Program

This activity focuses specifically on providing assistance to those communities adversely affected by Department of Defense downsizing. When EDA assistance is provided under the title IX program, virtually all of the Agency's program tools may be packaged into a single grant including components for planning and strategy development (not duplicating DOD), technical assistance, construction and public works, revolving loan fund assistance, and training (not duplicating Departments of Labor or Education programs). Within the Base, EDA will continue to provide strategy development assistance as may be needed to supplement DOD assistance to all eligible communities whether by virtue of defense contract cutbacks, base closures, or base realignments. The provision of business development assistance, i.e., management and technical assistance, other than for financing, will be particularly emphasized for those communities affected by contract cutbacks. Lastly, EDA will invest in a limited number of projects critical to overcoming impediments to initiating conversion strategies, primarily for base reuse; the costs restrict EDA to a very limited role.

Measures of Performance (planned): Number of grants to implement base reuse plans categorized by type of award (water treatment, incubator building, access road, RLFs), jobs supported or saved, strategy grants awarded, value of leveraged resources. While EDA will be tracking information of the type suggested for various purposes, we do not intend to use it for measuring performance for the following reasons:

o numbers of grants awarded are in large measure a function of the funds available and even if measured against the universe of eligible recipients would not be very useful as the needs of each vary greatly, for example, they do not all need an EDA strategy grant; and

o while jobs created has been a traditional EDA performance measure, it is fraught with problems, the most serious of which being that it can lead to suboptimal investments. Other well-documented problems are those of attribution, timing, etc. Resources leveraged suffers from the same problems, though to a lesser degree.

The objectives described below are designed to avoid the problems associated with trying to define and measure desired results/impact in an environment where so many local and exogenous variables exist and, at the other extreme, the questionable value of using simple measures of inputs as a surrogate for results.

Defining appropriate and meaningful performance measures is largely a function of how the programmatic objectives to be accomplished have been defined. In the Departmental defense conversion strategy, prepared by EDA, we have identified three objectives critical to supporting effective regional and local economic restructuring. While intended as Department-wide objectives to facilitate coordination and targeting of all pertinent programs, EDA, as the lead agency, will be largely responsible for ensuring their accomplishment.

The objectives are based on what we believe are the essential generic preconditions for potentially effective community conversion efforts. EDA cannot be responsible for the outcome but can be for ensuring the preconditions for success exist, both through its own investments and by using its professional expertise to identify gaps in services and mobilizing other Federal and state agencies to fill them. We believe the objectives, stated below, should be the ultimate measures against which our performance is assessed. However, we recognize more work is needed to make them operationally useful.

1. Ensure regional and community leaders (elected officials, development organizations, program managers, private sector, etc.) in all impacted areas have access to the resources, knowledge and information to design and manage implementation of appropriate economic recovery strategies;
2. Ensure communities develop strategies that are useful vehicles for mobilizing and coordinating investment resources of other Federal and state agencies;
3. Ensure all critically-impacted communities have available or access to and can coordinate delivery of the full range of services needed to support strategies for increasing commercial competitiveness of key regional and local industries and firms; and
4. Assist communities overcome critical physical impediments to the strategic reuse of former defense facilities or to taking advantage of a significant alternative economic potential.

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
INCREASE FOR 1995
(Dollar amounts in thousands)

Defense Economic Investment	1995 Base		1995 Estimate		Increases	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
	0	\$80,000	0	\$140,000	0	\$60,000

At the national level, the post-Cold War Defense downsizing is smaller than that experienced after the Korean and Vietnam conflicts; however, the impact will be substantial where the local economy depends on DOD activities. To alleviate the adverse impact, EDA is requesting an additional \$60 million in FY 1995. At this increased level of funding, EDA will target:

- 1) **Public Works:** Effective reuse of military bases requires significant community investment in constructing and upgrading of public road systems, particularly providing additional access points (most installations have limited access for security purposes) and linking internal base roads to the area transportation system. Similarly, water and wastewater treatment facilities must be upgraded or replaced with links to existing regional treatment facilities and distribution systems. Also, while bases may have modern facilities and structures that are well maintained, most bases also have numerous structures that do not conform to codes or fit into reuse schemes, and therefore, need to be demolished. While most of these improvements will be undertaken over time as needed to allow the orderly reuse and development of the property, some initial public infrastructure investment is critical to permit the reuse to begin. The funds requested will fund critical projects that enable communities to initiate immediate economic development and job opportunities which would otherwise be delayed or impossible.
- 2) **Business Financing:** Communities face an important challenge in stimulating new business activity to replace the economic contribution previously associated with a military base or major defense contractor. A community's ability to provide strategically-targeted financing assistance to eligible businesses can be critical to meeting this challenge. The funds requested will be used to capitalize community administered revolving loan funds (RLF), from which loans will be made to assist firms converting and diversifying from defense dependency and help new and expanding businesses create new job opportunities. This form of economic development assistance can be readily linked, through targeting, to labor retraining, technology commercialization, new and expanded export potential and women and minority business. Moreover, where appropriate, these funds can be employed immediately in communities still wrestling with base reuse issues by targeting initial loan activity in the community and later shifting activity to the base as reuse options develop.
- 3) **Management and Technical Assistance (Community Business Development):** Establishing new small and medium-sized businesses is a goal for virtually every community recovering from an economic dislocation. However, local, state and Federal red tape as well as necessary and customary financing considerations may represent significant obstacles to local business formation. The requested assistance is used to provide critically important capacity within affected communities for networking business development services, local one-stop shops for permitting, licensing and financial services. Businesses can be linked into the complete menu of existing Federal and state assistance programs. These capacity building programs can effectively eliminate the bureaucratic barriers to new business formation and contribute to improved survival of start-ups. Technical assistance awards may also be used to evaluate options and issues critical to the successful implementation of the community's economic adjustment strategy.

4) Community Adjustment Planning: Adjustment strategies and base reuse plans developed by the affected communities are the foundation of all subsequent EDA and most other Federal, State and local investment. OPA provides defense-impacted communities the initial assistance for base reuse planning. While OEA's assistance is generally comprehensive and designed to address all of the planning needs of the community, there may be gaps technically ineligible for OEA funding. Also, OEA may limit its assistance to readily identified defense impacts or choose not to address some non-defense economic issues deemed important to the community. In these cases, EDA assistance can be awarded to complement the OEA scope of work. In all cases, close coordination with OEA precludes duplication of effort. In the special case of Department of Energy facilities, OEA is not authorized to extend assistance and EDA provides all adjustment planning support.

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

	Object Class	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease)
11	Personnel Compensation					
11.1	Full-time permanent					
11.3	Other than full-time permanent					
11.5	Other personnel compensation					
11.9	Total personnel compensation					
12.1	Civilian personnel benefits					
13.0	Benefits for former personnel					
21.0	Travel and transportation of persons					
22.0	Transportation of things					
23.1	Rental payments to GSA					
23.2	Rental payments to others					
23.3	Communications, utilities and miscellaneous charges					
24.0	Printing and reproduction					
25.0	Other services					
26.0	Supplies and materials					
31.0	Equipment					
41.0	Grants	\$211,906	\$431,070	\$323,240	\$327,024	\$3,784
99.0	Subtotal Direct Obligations	211,906	431,070	323,240	327,024	3,784
99.0	Reimbursable Obligations	92,341	107,105	500	500	0
99.9	TOTAL OBLIGATIONS	304,247	538,175	323,740	327,524	3,784

Department of Commerce
Economic Development Administration
APPROPRIATION SUMMARY STATEMENT

Appropriation: Economic Development Assistance Programs

EDA provides a broad range of economic development assistance to a variety of geographical areas which it designates. These criteria for eligibility relate to such general types of distress as substantial and persistent unemployment levels, low incomes, and slow job growth. A number of additional, more specialized criteria may also qualify an area for assistance. Unlike EDA's public and private sector investment programs, Technical Assistance and Research projects are not limited to designated areas. Eligibility for Title IX, economic adjustment, funds is based on a determination by the Secretary that a special need for adjustment assistance exists; this can result from sudden and severe economic dislocation or from a long-term loss of economic activity.

The basic purpose of the programs of the Economic Development Administration is to stimulate employment and increase incomes in subnational areas which are characterized by underutilized resources which, if put to productive use, can contribute to greater national productivity and balanced national economic growth. The structural economic problems of various geographic areas, though having distinct characteristics, are interrelated, and thus an effective Federal economic development program must transcend the conventional conceptions of urban and rural development by addressing all geographic areas within a framework of national priorities and resources.

The authorizing legislation provides for a broad range of specific program tools which the Agency can utilize individually or in combination to meet the specific needs of individual distressed communities. EDA provides public works and development facilities grants in particular areas to leverage investments that will create new, permanent jobs in distressed areas. EDA also provides grants for economic development planning purposes and technical assistance, and supports a range of evaluation and research activities aimed at increasing public understanding of the processes of economic growth and development. Within the areas it serves, EDA strives to meet its program objectives through the use of a broad range of activities.

1. **Planning grants** encourage and support local development organizations by providing funding for professional planning staff and related services. The planning grants programs include Section 301 administrative support for Districts and individual distressed areas, including Indian Reservations, and Section 302 grants which support the economic development programs of States and cities.
2. **Technical Assistance grants** provide appropriate, specific management and operational technical expertise to help assure the success of grant projects; support institutional projects that directly benefit a number of local and regional economic development groups and organizations, support feasibility studies and other site-related projects; and provide for expert assistance to potential grantees.
3. **Public Works and Development Facilities grants** provide funds for the construction or expansion of community facilities conducive to the location of industrial and commercial enterprises and the creation of additional long-term employment opportunities. Typical projects include water and sewer systems which support economic growth, industrial parks, access roads and expansion of harbor and airport facilities.

In addition to the Public Works program objective of stimulating long-term economic development, EDA also conducts a Public Works Impact Program. The primary objective of public works grants funded under this program is to stimulate immediate construction employment for unemployed and underemployed persons in particularly economically distressed areas.

4. Special Economic Development and Adjustment Assistance grants help areas resolve problems related to actual or threatened sudden and severe disruption of a local economy. Assistance is provided to facilitate community adjustments to such situations as the closing of a defense installation in the area. Under this program activity, States, cities, counties, Indian tribes and other combinations of areas can receive grant assistance to assess the dislocation and to develop and implement economic adjustment plans. The assistance can be used for public facilities, public services, business development, planning, technical assistance and a variety of other types of aid.
5. Research, Evaluation, and Demonstration assists in the development of improved EDA programs and also provides research and information useful to others in the economic development field. Program evaluation assists Agency management, Congress and others in making policy and management judgments. Through the use of EDA staff or outside contractors, EDA periodically evaluates the impacts of its various programs as a means of identifying policy and program modifications that will increase the Agency's effectiveness.
6. Defense Economic Investment specifically assists communities severely impacted by planned Department of Defense base closures and procurement reductions. EDA-funded projects could include funding from all EDA programs.
 In FY 1995, EDA will continue to concentrate its resources in areas characterized by high unemployment, low growth rate, loss of jobs, outmigration, defense conversion, and physical deterioration. EDA will concentrate on projects which can be expected to lead to substantial private investment and permanent employment opportunities, especially for residents of the target areas.
 Areas of concentration will include communities places that have not shared in the Nation's growth, as well as cities which are experiencing long-term economic deterioration. In some cases, we will focus on pockets of distress—for example, minority neighborhoods that are stagnating within cities that are economically stable—but only if there is a local development institution with the capacity to carry out the redevelopment plan consistent with the economic development efforts of the city.
 In the development of funding packages and in monitoring performance, EDA will consider local planning and the use of local and State government funds, private investment and other Federal funds as well as the use of EDA funds. The EDA goal is economic development or adjustment—measured by new private investment, new and saved jobs, reduction in unemployment (particularly among minorities and youth) and increased income levels, all geared towards increased productivity and global competitiveness.

DEPARTMENT OF COMMERCE
 Economic Development Administration
 Economic Development Assistance Programs
 JUSTIFICATION OF PROPOSED LANGUAGE CHANGES

1. After the words "before September 30, 1982" delete the following "and for trade adjustment assistance, \$322,642,000,
 In FY 1995, EDA is proposing the termination of the Trade Adjustment Assistance (TAA) program. Continued assistance to firms and industries adversely impacted by imports will be provided by other Commerce bureaus and the Small Business Administration.
2. After the amount "\$327,024,000," insert "of which \$140,000,000 shall remain available until September 30, 1996:"
 Many factors make it difficult to predict exactly when a particular base will be ready for conversion activity to commence. Due to this uncertainty, making the \$140,000,000 requested in 1995 for Defense Economic Investment available for two years rather than the normal one year will allow EDA to be more responsive to the assistance needs of base-impacted communities.

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
APPROPRIATION LANGUAGE AND CODE CITATIONS

For grants for economic development assistance as provided by the Public Works and Economic Development Act of 1965, as amended, the Public Law 91-304, and such laws that were in effect immediately before September 30, 1982, \$327,024,000, of which \$140,000,000 shall remain available until September 30, 1996: Provided, That none of the funds appropriated or otherwise made available under this heading may be used directly or indirectly for attorneys' or consultants' fees in connection with securing grants and contracts made by the Economic Development Administration. Provided further, That, notwithstanding any other provision of law, the Secretary of Commerce may provide financial assistance for projects to be located on military installations closed or scheduled for closure or realignment to grantees eligible for assistance under the Public Works and Economic Development Act of 1965, as amended, without it being required that the grantees have title or ability to obtain a lease for the property, for the useful life of the project, when in the opinion of the Secretary of Commerce, such financial assistance is necessary for the economic development of the area: Provided further, That the Secretary of Commerce may, as the Secretary considers appropriate, consult with the Secretary of Defense regarding the title to land on military installations closed or scheduled for closure or realignment.

42 U.S.C. 3131

42 U.S.C. 3131 - The Secretary is authorized to make direct and supplementary grants for such public facilities as water and sewer systems, access roads to industrial parks or areas, port facilities, railroad sidings and spurs, public tourism facilities, vocational schools, flood control projects, and site improvements for industrial parks.

42 U.S.C. 3135

42 U.S.C. 3135 - Authorizes appropriations for public works and development facilities grants.

42 U.S.C. 3144

42 U.S.C. 3144 - The Secretary is authorized to make an interest free revolving loan to a redevelopment area which has a plan for the redevelopment of the area approved by the Secretary. Such plan may include industrial land assembly, land banking, acquisition of surplus government property, acquisition of industrial sites including acquisition of abandoned properties with redevelopment potential, real estate development, including redevelopment and rehabilitation of historical buildings for industrial and commercial use, rehabilitation and renovation of usable empty factory buildings for industrial and commercial use, and other investments which will accelerate recycling of land and facilities for job-creating economic activity.

42 U.S.C. 3151

42 U.S.C. 3151 - Authorizes programs for technical assistance grants and contracts, planning grants under Section 301 of the Act, as well as research grants and contracts. Also, it authorizes, under section 302 of the Act, a program of economic development planning grants to States and the other political subdivisions, including cities, redevelopment areas and economic development districts.

42 U.S.C. 3152

42 U.S.C. 3152 - Authorizes appropriations for technical assistance, research and information (planning grants).

42 U.S.C. 3171

42 U.S.C. 3171 - The Secretary is authorized to designate economic development districts containing two or more redevelopment areas and one or more centers. This section makes centers in districts eligible for all assistance which is authorized by titles I and II of the Act. This section also provides bonus grants up to 10 percent of the project cost for projects in redevelopment areas.

42 U.S.C. 3241

42 U.S.C. 3241 - Provides special economic development adjustment assistance programs to help State and local areas meet special needs arising from actual or threatened severe unemployment arising from economic dislocation, including unemployment arising from actions of the Federal Government and from compliance with environmental requirements which remove economic activities from a locality..⁴

42 U.S.C. 3243

42 U.S.C. 3243 - Authorizes the use of grants under Title IX to any eligible recipient to be used for any of the following: public facilities, public services, business development, planning, unemployment compensation, rent supplement, mortgage payment assistance, research, technical assistance, training, relocation of individuals and businesses and other appropriate economic adjustment assistance.

42 U.S.C. 3245

42 U.S.C. 3245 - Authorizes appropriations for economic adjustment assistance.

Department of Commerce
Economic Development Guaranteed Loans
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

Page No.:

	Positions	FTE	Amount
President's Budget, 1994	0	0	0
Plus: 1995 Adjustments to base	13	14	\$1,976
1995 Base	13	14	1,976
Less: Administrative savings	0	0	0
Less: FTE Savings	0	0	0
Plus: 1995 program changes	1	1	50,000
1995 Estimate	14	15	\$1,976

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	ACTIVITY: FINANCIAL MANAGEMENT	1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/Decrease	
		Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount
EDA-89	Credit and Debt Management										
	Pos./BA	0	0	0	0	5	\$1,405	6	\$1,405	1	0
	FTE/Obl.	0		0		6		7		1	0
EDA-89	Liquidation										
	Pos./BA	0	0	0	0	8	571	8	571	0	0
	FTE/Obl.	0		0		8		8		0	0
EDA-89	Credit Reform - Subsidy										
	Pos./BA	0	0	0	0	0	0	0	50,000	0	\$50,000
	FTE/Obl.	0		0		0		0		0	0
	Total Direct										
	Pos./BA	0	0	0	0	13	1,976	14	\$1,976	1	50,000
	FTE/Obl.	0		0		14		15		1	0

Department of Commerce
Economic Development Guaranteed Loans
SUMMARY OF FINANCING
(Dollar amounts in thousands)

	1993 Actual	1994 Currently Available	1995 Base	1995 Estimate	Increase/ (Decrease)
Total Obligations	0	0	\$1,976	\$51,976	\$50,000
Financing:					
Offsetting collections from:					
Federal funds					
Trust funds					
Non-Federal sources					
Recoveries					
Unobligated balance, start-of-year					
Unobligated balance transferred					
Unobligated balance, end-of-year					
Unobligated balance lapsing					
Budget Authority	0	0	1,976	51,976	50,000
Transferred to/from other accounts					
Sequester					
Appropriation	0	0	1,976	51,976	50,000

Department of Commerce
 Economic Development Guaranteed Loans
 SUMMARY AND JUSTIFICATION OF ADJUSTMENTS TO BASE AND BUILT-IN CHANGES
 (Dollar amounts in thousands)

	<u>Pos.</u>	<u>FTE</u>	<u>Amount</u>
Transfer	13	14	\$1,976

Pursuant to Section 504(g) of the Federal Credit Reform Act of 1990 (P.L. 101-508), "All funding for an agency's administration of a direct loan or loan guarantee program shall be displayed as distinct and separately identified subaccounts within the same budget account as the program cost." Therefore, all personnel and administrative costs are being transferred from the Salaries and Expenses account to the Economic Development Guaranteed Loan account.

Department of Commerce
Economic Development Guaranteed Loans
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Financial Management		1993 Actual		1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
		Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount	Pers.	Amount
	Pos./BA	0	0	0	0	5	\$1,405	6	\$1,405	1	0
	FTE/Obl.	0		0		6		7		1	0
	Pos./BA	0	0	0	0	8	571	8	571	0	0
	FTE/Obl.	0		0		8		8		0	0
	Pos./BA	0	0	0	0	0	0	0	50,000	0	\$50,000
	FTE/Obl.	0		0		0		0		0	0
	Pos./BA	0	0	0	0	13	1,976	14	51,976	1	50,000
	FTE/Obl.	0	0	0	0	14	0	15	0	1	0

Department of Commerce
Office of Grants and Loan Administration
Economic Development Guaranteed Loans
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Financial Management

Goals and Objectives

Goal: Leverage private financing to create, save, and upgrade jobs in the private sector; protect Federal investments in the EDA loan portfolios.

Objectives: To use EDA loan guarantees as a catalyst to encourage private, for-profit businesses to generate new employment opportunities for communities and stabilize local economies; to administer the existing loan portfolio to maximize the timely collection of funds owed the Federal Government and to monitor the closout of loans and loan guarantees, and to maximize the timely collections of funds owed to the Federal Government.

Base Program

Credit and Debt Management: A business loan guarantee program provides EDA with an additional economic development tool which, along with the existing grant programs, provides a comprehensive array of resources for local economic development. EDA's grant programs focus on community economic development; a loan guarantee program for private businesses will leverage private financing to create, save, and upgrade jobs in the private sector.

The Liquidation staff conducts the orderly liquidation of EDA projects incapable of continuing viable operations to dispose of the project assets, acquired at foreclosure or otherwise, to the best advantage of the government; directs all liquidation activities concerning the care and protection of EDA's collateral and security position in EDA loans/guarantees; and requests the assistance of, and works with, EDA's Office of Chief Counsel, DOC's Office of the Chief Counsel and other Federal agencies toward the orderly liquidation of EDA loans/guarantees.

Department of Commerce
Office of Grants and Loan Administration
Economic Development Guaranteed Loans
INCREASE FOR 1995
(in thousands of dollars)

Economic Development Guaranteed Loans	1995 Base		1995 Estimate		(Increase)
	Personnel	Amount	Personnel	Amount	
	Pos./BA	\$1,976	14	\$51,976	1
	FTE/Obl.		15		1

Note: The entire increase of \$50 million is object class 33--investments and loans (subsidy).

Credit Reform - Subsidy - Pursuant to the Federal Credit Reform Act of 1990, subsidy estimates (or the expected estimated long-term cost to the government of a loan guarantee that the government does not expect to be offset by collections) must be calculated and presented separately for the estimated activity level of any new loan guarantee programs. The estimated subsidy cost of this program is \$50,000,000.

As an economic development tool, the principal Federal objective of this program is as a catalyst to encourage and assist private sector investment that will create jobs. It will enhance the ability of private firms both rural and urban to obtain the investment capital necessary to remain or become more competitive in a global economy.

EDA's loan guarantee program will provide direct and immediate assistance to existing, emerging or expanding private firms to enable them to create new jobs, and to upgrade and enhance existing ones. Ordinarily, investment capital for private firms is available in the private capital markets. However, certain categories of otherwise healthy firms are unable to obtain the necessary capital because of actual or perceived risk. The risk may involve unexpected market adjustments, a firm's location, or the longer financing term needed. Firms which need EDA loan guarantees include:

- o firms adjusting to market changes due to defense downsizing, natural disasters, or import competition;
- o firms in distressed urban and rural areas;
- o firms modernizing to become or remain competitive in a world economy and that need long-term capital.

The difficulty of such firms in obtaining needed capital has become even greater as a result of the shakeout in the banking industry in the 1980s. Consequently, an EDA guarantee program will encourage private financing of projects that contribute to local economic development, as well as enable such private firms to obtain needed capital. The EDA program will complement the Small Business Administration's Section 7(a) business loan guarantee program and the Rural Development Administration's (RDA) Business and Industrial guaranteed loan program, thus bridging a major gap in existing Federal assistance to private firms. This will encourage and supplement, but not compete with or replace private lending activity. EDA will complement RDA's Business and Industrial guarantee program for firms located in rural areas, or communities with populations less than 50,000. EDA will also guarantee financing for firms that need more than \$750,000, regardless of location, but are excluded from the SBA program because the amount exceeds SBA's guarantee limitation.

EDA will not guarantee federally tax-exempt obligations directly or indirectly. Under terms of guarantee contracts, lenders and borrowers will share a substantial stake in full repayment, with guarantees set at the minimum level necessary to make the project feasible. Borrowers will be required to have an equity interest in any asset financed under an EDA guarantee.

Department of Commerce
Economic Development Guaranteed Loans
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

	Object Class	1995 Base	1995 Estimate	Increase/ (Decrease)
11	Personnel Compensation			
11.1	Full-time permanent	\$1,126	\$1,126	0
11.3	Other than full-time permanent	0	0	0
11.5	Other personnel compensation	5	5	0
11.9	Total personnel compensation	1,131	1,131	0
12.1	Civilian personnel benefits	203	203	0
13.0	Benefits for former personnel	0	0	0
21.0	Travel and transportation of persons	50	50	0
22.0	Transportation of things	5	5	0
23.1	Rental payments to GSA	0	0	0
23.2	Rental payments to others	0	0	0
23.3	Communications, utilities and miscellaneous charges	0	0	0
24.0	Printing and reproduction	10	10	0
25.2	Other services	54	54	0
25.3	Purchases of goods and services from Government Accounts	500	500	0
26.0	Supplies and materials	8	8	0
31.0	Equipment	15	15	0
33.0	Investments and Loans (Subsidy)	0		
99.0	Subtotal Direct Obligations	1,976	50,000	\$50,000
99.0	Reimbursable Obligations		51,976	50,000
99.9	TOTAL OBLIGATIONS	1,976	51,976	50,000

SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

PERSONNEL DATA					
Full-Time Equivalent Employment:					
Full-time permanent			14	15	\$1
Other than full-time permanent			0	0	0
Total			14	15	1
Authorized Positions:					
Full-time permanent			13	14	1
Other than full-time permanent			0	0	0
Total			13	14	1

Department of Commerce
Economic Development Guaranteed Loans
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class		1995 Base	1995 Estimate	Increase/ (Decrease)
11	Personnel Compensation			
11.1	Full-time permanent:			
	Executive Level			
	Senior Executive Service (SES)			
	General Schedule	1,126	1,126	0
	Subtotal	1,126	1,126	0
11.3	Other than full-time permanent:			
	General schedule (part-time permanent)			
11.5	Other personnel compensation:			
	Overtime	1	1	0
	SES performance awards			
	Cash awards	2	2	0
	Merit pay awards	2	2	0
	Subtotal	5	5	0
11.9	Total personnel compensation	1,131	1,131	0
12.1	Civilian personnel benefits:			
	Civil Service Retirement System and offset	66	66	0
	Federal Employees' Retirement System	14	14	0

DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class		1995 Base	1995 Estimate	Increase/ (Decrease)
12.1	Civilian personnel benefits: (Cont'd)			
	Thrift Savings Plan	10	10	0
	OASDI	22	22	0
	Medicare	28	28	0
	Health insurance	61	61	0
	Life insurance	2	2	0
	Employees' Compensation Fund	0	0	0
	Cost of Living Allowance (COLA)	0	0	0
	Subtotal	203	203	0
13.0	Benefits for former personnel:			
	Severance pay	0	0	0
21.0	Travel and transportation of persons:			
	Common carrier	30	30	0
	Per diem/actual expenses	20	20	0
	Privately-owned vehicles	0	0	0
	Commercially-rent vehicles	0	0	0
	Other	0	0	0
	Subtotal	50	50	0
22.0	Transportation of things	5	5	0
23.1	Rental payments to GSA	0	0	0

DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class		1995 Base	1995 Estimate	Increase/ (Decrease)
23.2	Rental payments to others	0	0	0
23.3	Communications, utilities and miscellaneous charges:			
	Federal Telecommunications System	0	0	0
	Other telecommunications services	0	0	0
	Postal services by USPS	0	0	0
	Subtotal	0	0	0
24.0	Printing and reproduction:			
	Envelopes	0	0	0
	Other (Payments to WCF)	10	10	0
	Subtotal	10	10	0
25.2	Other services:			
	Training:			
	Office of Personnel Management	2	2	0
	Other	3	3	0
	Maintenance of equipment	0	0	0
	ADP services (NOAA)	0	0	0
	Other non-government contracts	29	29	0
	Other	20	20	0
	Subtotal	54	54	0
25.3	Purchases of goods and services from Government Accounts	500	500	0

DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class		1995 Base	1995 Estimate	Increase/ (Decrease)
26.0	Supplies and materials:			
	Office supplies	5	5	0
	ADP supplies	0	0	0
	Other	3	3	0
	Subtotal	8	8	0
31.0	Equipment	15	15	0
33.0	Investments and loans (Subsidy)	0	50,000	50,000
199.0	Subtotal Direct Obligations	1,976	51,976	50,000
299.0	Reimbursable Obligations	0	0	0
999.9	TOTAL OBLIGATIONS	1,476	51,476	50,000

Department of Commerce
Economic Development Administration
Economic Development Guaranteed Loans
APPROPRIATION LANGUAGE AND CODE CITATIONS

For the cost of guaranteed loans, \$50,000,000, as authorized by the Public Works and Economic Development Act of 1965, as amended: Provided, That such costs, including the cost of modifying such loan guarantees, shall be as defined in Section 502 of the Congressional Budget Act of 1974: Provided further, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, not to exceed \$269,000,000. In addition, for administrative expenses to carry out the guaranteed loan program, \$1,976,000, which may be transferred to and merged with the appropriation for the Salaries and Expenses account of the Economic Development Administration.

42 U.S.C. 3141

42 U.S.C. 3141 - The Secretary is authorized to make loans to assist in financing the purchase or development of land and improvements for public works, public service, or development facility usage, and the acquisition, construction, rehabilitation, alteration, expansion or improvement of such facilities, including related machinery and equipment within a redevelopment area.

42 U.S.C. 3142

42 U.S.C. 3142 - The Secretary is authorized (1) to make loans and to guarantee loans for any project within a redevelopment area for the purchase or development of land and facilities for industrial or commercial usage including the construction of new buildings, the rehabilitation of abandoned or unoccupied buildings, and the alteration, conversion or enlargement of existing buildings; (2) to guarantee loans for working capital made to private borrowers by private lending institutions, and (3) new tools of direct working capital loans, broader authority for working capital guarantees, guarantees of fixed asset loans made by private institutions, and guarantees of lease payments for buildings and equipment.

42 U.S.C. 3218, 3219

42 U.S.C. 3218(c) - Authorizes the transfer of appropriated funds between department and agencies of the Government, if such funds are used for the purpose for which they are specifically authorized and appropriated.

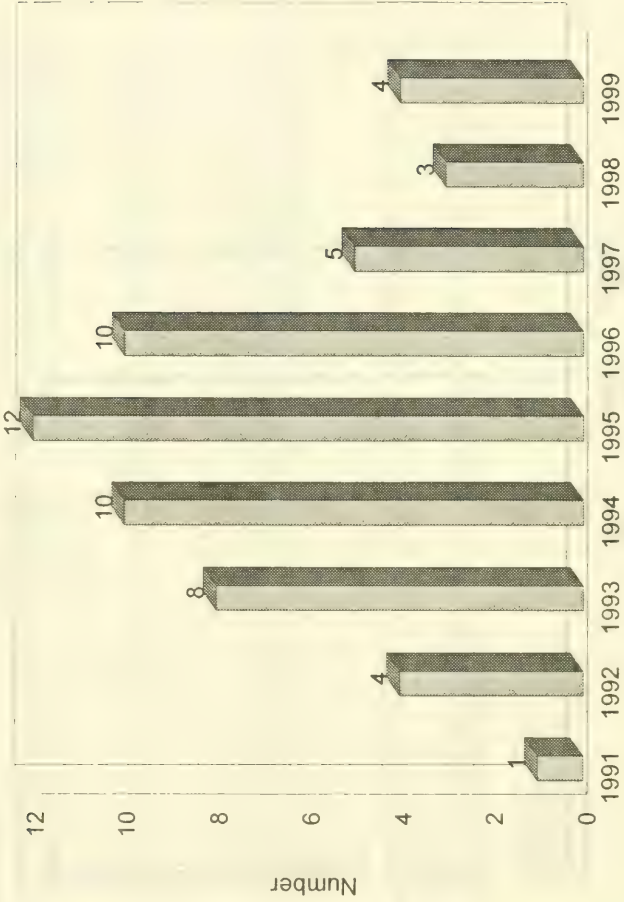
42 U.S.C. 3219 - Authorizes the appropriation of such sums as may be necessary to carry out those provisions of the Public Works and Economic Development Act of 1965, as amended, for which specific authority is not otherwise provided.

DEPARTMENT OF COMMERCE
Economic Development Administration
SCHEDULE OF PERMANENT POSITIONS

	1993 Actual	1994 Estimate	1995 Estimate
Executive Level I.....	0	0	0
Executive Level II.....	0	0	0
Executive Level III.....	0	0	0
Executive Level IV.....	1	1	1
Subtotal.....	<u>1</u>	<u>1</u>	<u>1</u>
ES 6.....	0	0	0
ES 6.....	0	0	0
ES 4.....	5	5	5
ES 3.....	1	1	1
ES 2.....	0	0	0
ES 1.....	1	1	1
Subtotal.....	<u>7</u>	<u>7</u>	<u>7</u>
GS 16.....	0	0	0
GS 15.....	17	17	16
GS 15.....	0	0	0
GM 14.....	41	41	40
GS 14.....	10	10	12
GM 13.....	21	21	21
GS 13.....	96	96	95
GS 12.....	67	67	66
GS 11.....	27	27	25
GS 10.....	0	0	3
GS 9.....	14	14	10
GS 8.....	8	8	8
GS 7.....	26	26	27
GS 6.....	11	11	10
GS 5.....	26	26	26
GS 4.....	3	3	3
GS 3.....	0	0	0
GS 2.....	0	0	0
GS 1.....	0	0	0
Subtotal.....	<u>367</u>	<u>367</u>	<u>364</u>
Total authorized.....	375	375	372
Unfilled.....	-29	-20	-20
Total permanent employment, end of year.....	<u>346</u>	<u>355</u>	<u>352</u>
Average ES Salary.....	\$80,044	\$100,749	\$108,878
Average GS Grade.....	11.40	11.40	11.43
Average GS/GM Salary.....	\$44,942	\$49,965	\$50,653

BRAC '88, '91 AND '93 ROUNDS

Time Distribution of closure dates *



* MAJOR BASE CLOSURES

Mr. MOLLOHAN. Testifying today on behalf of the Economic Development Administration is the new Assistant Secretary of Commerce for Economic Development, William W. Ginsberg. We will insert, your biographical sketch into the record and you may proceed with your oral statement. If you will be kind enough to introduce the other person at the witness table, we would appreciate it.

Mr. GINSBERG. I would be happy to, Mr. Chairman, thank you. On my left is Deborah Simmons. She is the Acting Budget Officer for the Economic Development Administration.

Mr. MOLLOHAN. Welcome to the subcommittee.

Ms. SIMMONS. Thank you.

OPENING STATEMENT

Mr. GINSBERG. Thank you, Chairman Mollohan, distinguished Members: I am honored to appear before the Subcommittee on Commerce, Justice, and State, the Judiciary and Related Agencies today to present the budget request of the Economic Development Administration.

As this is my first opportunity to appear before the Subcommittee, I do want to say at the outset that I am greatly looking forward to working with the Subcommittee in the future and that I am very appreciative of the courtesies which have already been extended to me by Members of the Subcommittee and your staff during my first few weeks at EDA.

Our budget request for fiscal year 1995, reflects the fundamental strategy of EDA to devote itself to assisting economically distressed rural and urban areas throughout this Nation to bring competitive successful companies, jobs and a new globally competitive economic base to areas now outside of the mainstream of economic growth. The budget request which we present to you today is intended to make EDA as effective as possible in working with communities across this Nation to meet this challenge.

The Administration is requesting a substantial increase in funding for Defense Conversion Program activity, reflecting our increasing need across this nation to assist communities whose traditional defense-related economic base is shrinking, and whose future economic prospects depends upon building a new economic base of competitive companies. The Administration's budget request also continues EDA's traditional focus on public works activities, reflecting the view that for many of our economically distressed areas, investment in infrastructure remains the critical enabler of future economic growth and of building and attracting the competitive economic base of tomorrow. In addition, the Administration's request is that \$50 million of EDA's Economic Development Assistance Program appropriations be in the form of loan guarantee budget authority, a change which will give EDA greater ability to leverage private investment with its funds and which will give EDA a powerful tool in assisting in the funding of high-growth business activity in rural and urban distressed areas.

The Administration's budget request also reflects an increase in appropriations for salaries and related expenses, so that EDA can become more effective in serving our clientele and in delivering our services, while at the same time preserving the local network of

EDA field representatives, one of the strengths upon which EDA's effectiveness at the local level is built.

SALARIES AND EXPENSES

By way of budget overview, let me say that the Administration's fiscal year 1995 budget request for EDA includes \$32,647,000 for salaries and expenses, which is an increase of \$4,647,000 from the fiscal year 1994 budget. This increase will be utilized for the purpose of streamlining grants administration, increasing budget, program and evaluation efforts, upgrading management information systems and funding, on a permanent basis, our new Office of Economic Conversion Information.

The budget request also includes \$379 million in broad-based, multi-purpose economic assistance, an increase of \$56,358,000 from the fiscal year 1994 budget. This figure includes \$131 million in Public Works funds and \$51,976,000 in Economic Development Loan Guarantee authority, and \$140 million for Defense Economic Investment.

In the Salaries and Expenses area, our request of \$32,647,000 is, as I said, \$4,647,000 greater than the enacted appropriation for fiscal year 1994, and \$4,083,000 above the fiscal year 1995 base. This increase will fund the streamlining of our grants administration process; the upgrading of EDA's network of management information systems, and the expansion and enhancement of the Office of Economic Conversion Information.

I do want to say that EDA has no higher priority, in my judgment, than to improve the processing of grant applications so that we can better serve our clientele with speedier delivery of our product. EDA intends to streamline its grants application regulations consistent with the results of our application reform initiative, which we began in the fall of 1993.

ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS

In fiscal year 1995, EDA will continue to concentrate its resources in areas characterized by high unemployment, low growth rate, loss of jobs, out-migration, defense conversion and physical deterioration. We will also focus on areas which have been adversely impacted economically by natural disasters. EDA will adhere to the basic principle that the benefits of economic development will come from creating, attracting and retaining growing companies, and EDA will thus concentrate on projects which can be expected to lead to substantial private investment and permanent, high-quality employment opportunities.

EDA is requesting \$131 million in its Public Works program. EDA provides Public Works and Development Facilities Grants to communities to stimulate these kinds of private sector investments that will create new, permanent jobs in distressed areas. Public Works has been and will continue to be a central focus of EDA activity because the infrastructure needs in our distressed communities remain daunting, and infrastructure investment is the critical enabler of private investment for many areas of the country. Indeed, I believe that the competitive pressures of the 1990s and beyond will only increase the infrastructure needs of our less-competitive communities.

Additionally, EDA provides grants for economic development planning purposes and technical assistance, and supports a wide range of evaluation and research activities aimed at increasing the public understanding of the processes of economic growth and development. EDA is requesting \$37.1 million for these activities in fiscal year 1995, slightly less than was available in fiscal year 1994.

Under the authorities of our Title IX Economic Adjustment Program, EDA can uniquely provide customized packages of assistance to communities which are experiencing defense cutbacks. As the pace of military base closures accelerates, the need for EDA defense conversion assistance will accelerate as well. The peak of the base closure activity, and its concurrent negative economic impact, will occur in the year 1995. And I do, Mr. Chairman, have a bar chart, which I trust has been handed out or will be. It shows how the base closure activity has been accelerating and will be peaking in fiscal year 1995. EDA is thus requesting an additional \$60 million in fiscal year 1995 for this activity for a total of \$140 million in defense conversion activities. The proposed increased level of funding will allow EDA to focus on: the construction of base conversion and other projects which promote the economic diversification and renewal of defense-impacted communities; Revolving Loan Fund (RLF) grants for business assistance; management, technical and community business development assistance; and community adjustment planning.

The Administration's budget request for EDA for fiscal year 1995 would provide \$50 million of Economic Development Assistance Program budget authority in the form of loan guarantee authority. This loan guarantee budget authority will enable EDA to guarantee \$269 million in loans for new business investment in distressed rural and urban areas, a leveraging which will substantially increase the impact of EDA's overall programs across the Nation.

An EDA Loan Guarantee Program would be the only loan guarantee tool within the Federal government that would be specifically utilized to implement comprehensive local economic development strategies for distressed communities. Individual loan guarantee decisions would be made in the context of promoting job creation, job retention, economic diversification and the building of a new economic base for a community outside the mainstream of economic growth, rather than solely from the perspective of an individual credit judgment. For this reason, EDA loan guarantees would, we believe, be a uniquely valuable economic development tool for distressed areas. In addition, the Loan Guarantee Program would complement and not compete with other existing loan guarantee programs in other agencies, as it would reach borrowers not eligible for assistance by the Small Business Administration and borrowers in areas where the Farmers Home Administration does not operate.

I want to spend a moment to talk about our authorizing legislation, if I can. Closely aligned with EDA's fiscal year 1995 budget request is the reauthorization of the agency. Over the last 12 years, the agency has been the target of elimination. As a result, the Public Works and Economic Development Act of 1965 has not been amended significantly since 1981. The legislative package transmit-

ted to Congress on February 2, 1994, which would act as a reauthorization of EDA, proposes to provide a consolidated and coordinated set of program authorities under a limited number of titles, which will result in a more customer-oriented focus for EDA and will facilitate the award of grants and reduce time frames for processing and approving grants and loans. It would also update the Public Works and Economic Development Act by eliminating redundant requirements, and it would eliminate outdated and unneeded structures. It is my intention that we will be working with our authorizing committees on broader legislation, as well, in fiscal year 1994 and perhaps in fiscal year 1995, as well as the Administration's vision for the future of EDA as it continues to evolve.

By way of conclusion, Mr. Chairman, I believe EDA has a tremendous opportunity for the first time in well over a decade to move to the heart of the efforts of this Nation and the Administration to aggressively and affirmatively utilize public policies and public investments to promote America's economic renewal. EDA must ensure that the growing and globally-competitive sectors of this economy provide benefit to those areas of the country which have been too long outside of the mainstream of economic growth. To seize this opportunity, EDA must first of all continue in its traditional role of investing in infrastructure projects as a very important means of promoting the future economic vitality and competitiveness of major areas of the country. Secondly, we must embark on new directions which will serve newly distressed areas and enable distressed areas to respond to the economic dynamics of the 1990s and beyond; and thirdly, we must improve our delivery of services so that we are better at doing what we do. I believe that the budget request presented to you today will enable us to make progress in all of these areas.

Before we address your questions, and I would of course be happy to do that, I would like to introduce the EDA personnel accompanying me today, if that is permissible. Wilbur F. Hawkins is Deputy Assistant Secretary for Economic Development; Chester Straub is Deputy Assistant Secretary for Program Support; Pedro Garza, Deputy Assistant Secretary for Program Operations; Joseph Levine, our Chief Counsel; Deborah Simmons, our Acting Budget Officer, and Ella Rusinko, who is our Director for Congressional and Intergovernmental Affairs.

I thank you, Mr. Chairman.

[The biographical sketch and prepared statement of Mr. Ginsberg follow:]

BIOGRAPHY OF WILLIAM W. GINSBERG

Effective February 18, 1994, William W. Ginsberg was appointed as Assistant Secretary for Economic Development.

William W. Ginsberg was President and Chief Executive Officer of Science Park Development Corporation (SPDC). SPDC is a private, not-for-profit corporation which is developing a high-technology research and business park on a formerly abandoned, inner-city industrial site by attracting and developing high-technology businesses through the development of the technological resources of Yale University. SPDC operates one of the largest and best known "incubators" for development-state technology business in the United States, as well as operating one of the premier urban research parks in the country. During Mr. Ginsberg's tenure, SPDC achieved financial self-sufficiency for the first time, attracted in excess of \$40 million in new investment, "incubated" some of the leading technology-based companies in Connecticut, assisted in the development of the first Yale University-State of Connecticut advanced technology center, the \$20 million Center for Theoretical and Applied Neuroscience, and brought to Science Park the largest new manufacturing facility built in an inner-city location in Connecticut since World War II. Under Mr. Ginsberg's leadership, SPDC also became a national leader in community-based urban economic development, working with a consortium of local inner-city non-profit development corporations together with Yale University and local business institutions.

Prior to becoming President of SPDC, Mr. Ginsberg was Development Administrator of the city of New Haven, the equivalent of a Deputy Mayor position in which he had responsibility for and jurisdiction over all development activities of city government. In this capacity, Mr. Ginsberg was the City's lead representative in negotiating major transactions and in raising government funds to assist private development, acted as the lead advocate for development interests within the City's political process and as the public spokesman for the City's economic development interests and policies, administered major Federal and State development programs and oversaw City regulatory and line service agencies.

Mr. Ginsberg began his professional career as a practicing attorney at the firm of Webster and Sheffield in New York. His practice was primarily in public finance and in complex public/private real estate and financing transactions. He represented numerous not-for-profit private institutions, regulated private entities, government entities, public authorities, quasi-public corporations, and major private financial institutions underwriting the debt of public and quasi-public entities.

Mr. Ginsberg's other activities include serving as a Director of the Association of University Related Research Parks (AURRP) since 1989 and a President of AURRP during 1992-93. AURRP is an international organization with over 300 members worldwide

representing research parks, incubators and other university-related economic development and technology development efforts. Mr. Ginsberg has also served as a member of the Governor's Technology Advisory Board in Connecticut, the Connecticut Blue Ribbon Housing Commission, both as gubernatorial appointees, and has served on numerous other professional, civic and community boards and committees.

Mr. Ginsberg was educated at Trinity College in Hartford, Connecticut, from which he received a B.A. in History with honors in 1976. He did graduate study in European History at Christ's College, Cambridge University, Cambridge, England and received his law degree from the Columbia University School of Law in 1980. Mr. Ginsberg is admitted to the practice of law in New York State. Mr. Ginsberg is 39 years old, and is married with two children.

U. S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION
TESTIMONY OF

WILLIAM W. GINSBERG

ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT

HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE,
THE JUDICIARY AND RELATED AGENCIES

U. S. HOUSE OF REPRESENTATIVES
MONDAY, MARCH 14, 1994
2:00 P.M.

CHAIRMAN SMITH, CONGRESSMAN ROGERS, OTHER DISTINGUISHED MEMBERS, LADIES AND GENTLEMEN: I AM HONORED TO APPEAR BEFORE THE SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE, THE JUDICIARY AND RELATED AGENCIES TODAY TO PRESENT THE BUDGET REQUEST OF THE ECONOMIC DEVELOPMENT ADMINISTRATION (EDA). AS THIS IS MY FIRST OPPORTUNITY TO APPEAR BEFORE THE SUBCOMMITTEE, I DO WANT TO SAY AT THE OUTSET THAT I AM GREATLY LOOKING FORWARD TO WORKING WITH THE SUBCOMMITTEE AND THAT I AM VERY APPRECIATIVE OF THE COURTESIES WHICH HAVE ALREADY BEEN EXTENDED TO ME BY MEMBERS OF THE SUBCOMMITTEE AND BY YOUR STAFF DURING MY FIRST FEW WEEKS AT EDA.

COMMUNITIES ACROSS AMERICA FACE TREMENDOUS ECONOMIC DEVELOPMENT CHALLENGES TODAY, AND EDA'S MISSION IS TO ASSIST THESE COMMUNITIES IN DEVELOPING THE COMPETITIVE ECONOMIC BASE WHICH CAN PROVIDE FOR PROSPERITY IN THE FUTURE. IN AMERICA'S ECONOMICALLY DISTRESSED AREAS - RURAL AREAS OUTSIDE THE MAINSTREAM OF TODAY'S ECONOMIC GROWTH, URBAN AREAS NO LONGER IN THAT MAINSTREAM AND COMMUNITIES IMPACTED BY DEFENSE DOWNSIZING OR NATURAL DISASTERS - THE CHALLENGE OF DEVELOPING A COMPETITIVE ECONOMIC BASE FOR THE FUTURE IS PARTICULARLY DIFFICULT. THE BUDGET REQUEST WHICH WE PRESENT TO YOU TODAY IS INTENDED TO MAKE EDA AS EFFECTIVE AS POSSIBLE IN WORKING WITH COMMUNITIES TO MEET THIS CHALLENGE.

AMERICA'S ECONOMICALLY DISTRESSED AREAS MUST BENEFIT FROM THE EMERGING PARTNERSHIP BETWEEN THE FEDERAL GOVERNMENT AND THE CIVILIAN BUSINESS SECTOR. THIS PARTNERSHIP IS AT THE HEART OF THE STRATEGY OF THE DEPARTMENT OF COMMERCE TO RESTORE AMERICA'S PROSPERITY AND GLOBAL ECONOMIC LEADERSHIP. THIS NEW PARTNERSHIP IS PREMISED ON PUBLIC POLICIES AND PUBLIC INVESTMENTS WHICH WILL ASSIST THE CIVILIAN BUSINESS SECTOR IN RESPONDING TO THE PRESSURES OF GLOBAL ECONOMIC CHANGE AND COMPETITION. IN PARTICULAR, THE COMMERCE DEPARTMENT IS ADVANCING THIS GOAL BY PROMOTING THE ABILITY OF

INNOVATIVE, HIGH-GROWTH COMPANIES TO COMPETE SUCCESSFULLY IN THE GLOBAL MARKETPLACE. EDA MUST DEVOTE ITSELF TO ASSISTING ECONOMICALLY DISTRESSED AREAS THROUGHOUT THIS NATION TO BRING THESE COMPETITIVE SUCCESSFUL COMPANIES AND THE JOBS AND ECONOMIC ACTIVITY WHICH WILL RESULT FROM THIS STRATEGY TO AREAS NOW OUTSIDE OF THE MAINSTREAM OF ECONOMIC GROWTH.

OUR BUDGET REQUEST FOR FISCAL YEAR 1995 REFLECTS THIS FUNDAMENTAL STRATEGY. THE ADMINISTRATION IS REQUESTING A SUBSTANTIAL INCREASE IN FUNDING FOR DEFENSE CONVERSION PROGRAM ACTIVITY, REFLECTING OUR INCREASING NEED ACROSS THIS NATION TO ASSIST COMMUNITIES WHOSE TRADITIONAL DEFENSE-RELATED ECONOMIC BASE IS SHRINKING, AND WHOSE FUTURE ECONOMIC PROSPECTS DEPENDS UPON BUILDING A NEW ECONOMIC BASE OF COMPETITIVE COMPANIES. AS THE PACE OF MILITARY BASE CLOSURES ACCELERATES, THE NEED FOR EDA DEFENSE CONVERSION ASSISTANCE GROWS ACCORDINGLY. THE ADMINISTRATION'S BUDGET REQUEST ALSO CONTINUES EDA'S TRADITIONAL FOCUS ON PUBLIC WORKS ACTIVITIES, REFLECTING THE VIEW THAT FOR MANY OF OUR ECONOMICALLY DISTRESSED AREAS, INVESTMENT IN INFRASTRUCTURE REMAINS THE CRITICAL ENABLER OF FUTURE ECONOMIC GROWTH AND OF BUILDING AND ATTRACTING THE COMPETITIVE ECONOMIC BASE OF TOMORROW. IN ADDITION, THE ADMINISTRATION'S REQUEST IS THAT

\$50 MILLION OF EDA'S ECONOMIC DEVELOPMENT ASSISTANCE PROGRAM APPROPRIATIONS BE IN THE FORM OF LOAN GUARANTEE BUDGET AUTHORITY, A CHANGE WHICH WILL GIVE EDA GREATER ABILITY TO LEVERAGE PRIVATE INVESTMENT WITH ITS FUNDS AND WHICH WILL GIVE EDA A POWERFUL TOOL IN ASSISTING IN THE FUNDING OF HIGH-GROWTH BUSINESS ACTIVITY IN RURAL AND URBAN DISTRESSED AREAS. THE ADMINISTRATION'S BUDGET REQUEST ALSO REFLECTS AN INCREASE IN APPROPRIATIONS FOR SALARIES AND RELATED EXPENSES, SO THAT EDA CAN BECOME MORE EFFECTIVE IN SERVING OUR CLIENTELE AND IN DELIVERING OUR SERVICES, WHILE PRESERVING THE LOCAL NETWORK OF EDA FIELD REPRESENTATIVES, ONE OF THE STRENGTHS ON WHICH EDA'S EFFECTIVENESS AT THE LOCAL LEVEL IS BUILT.

BUDGET OVERVIEW

THE ADMINISTRATION'S FY 1995 BUDGET REQUEST FOR EDA INCLUDES:

- \$32.647 MILLION IN SALARIES AND EXPENSES. THIS AMOUNT REPRESENTS AN INCREASE OF \$4.647 MILLION FROM THE FY 1994 BUDGET, AND WILL BE UTILIZED FOR THE PURPOSES OF STREAMLINING GRANTS ADMINISTRATION, INCREASING BUDGET, PROGRAM AND EVALUATION EFFORTS, UPGRADING MANAGEMENT INFORMATION SYSTEMS AND FUNDING THE OFFICE OF ECONOMIC CONVERSION INFORMATION. THIS

INCREASE DOES NOT REFLECT INCREASED STAFF; UNDER EDA'S BUDGET REQUEST, EDA WILL REDUCE THE NUMBER OF PERMANENT POSITIONS BY SEVENTEEN FROM FY 1994;

●\$379 MILLION IN BROAD-BASED, MULTI-PURPOSE ECONOMIC ASSISTANCE, AN INCREASE OF \$56.358 MILLION FROM THE FY 1994 BUDGET. THIS AMOUNT INCLUDES:

●\$51.976 MILLION IN BUDGET AUTHORITY FOR ECONOMIC DEVELOPMENT GUARANTEED LOANS, WHICH WILL PROVIDE A HIGHLY FLEXIBLE TOOL TO SUPPORT AN ESTIMATED \$269 MILLION IN NEW CAPITAL FOR BUSINESS INVESTMENT IN DISTRESSED RURAL AND URBAN AREAS.

●\$140 MILLION FOR DEFENSE ECONOMIC INVESTMENT, A \$60 MILLION INCREASE FROM THE FY 1994 BUDGET, TO ASSIST COMMUNITIES IN RESPONDING TO CLOSURES AND CUTBACKS OF DEFENSE INSTALLATIONS AND DEPARTMENT OF ENERGY FACILITIES AS WELL AS TO REDUCTIONS IN OTHER MILITARY SPENDING IN DEFENSE-DEPENDENT COMMUNITIES.

SALARIES AND EXPENSES

THE FY 1995 SALARIES AND EXPENSES REQUEST OF \$32.647 MILLION IS \$4.647 MILLION GREATER THAN THE FY 1994 ENACTED APPROPRIATION AND \$4.083 MILLION ABOVE THE FY 1995 BASE. THIS INCREASE WILL FUND THE FOLLOWING ESSENTIAL ACTIVITIES:

- THE STREAMLINING OF THE GRANTS ADMINISTRATION PROCESS;
- THE UPGRADING OF THE EDA NETWORK OF MANAGEMENT INFORMATION SYSTEMS FOR BUDGET, PROGRAM MONITORING AND EVALUATION PURPOSES; AND
- THE EXPANSION AND ENHANCEMENT OF THE OFFICE OF ECONOMIC CONVERSION INFORMATION (OECI), A GROWING CENTRAL DATA BASE WHICH SUPPORTS THE DEFENSE CONVERSION EFFORT BY PROVIDING THE MOST UPDATED ECONOMIC CONVERSION INFORMATION TO THE PUBLIC ON-LINE.

EDA HAS NO HIGHER PRIORITY THAN TO IMPROVE THE PROCESSING OF GRANT APPLICATIONS SO AS TO BETTER SERVE OUR CLIENTELE WITH SPEEDIER DELIVERY OF OUR PRODUCT. EDA INTENDS TO STREAMLINE ITS GRANTS APPLICATION REGULATIONS CONSISTENT WITH THE RESULTS OF ITS APPLICATION REFORM INITIATIVE. THIS INITIATIVE WILL STRIVE TO:

- REDUCE APPLICATION PROCESSING TIMES;

- IMPROVE CUSTOMER SATISFACTION;
- ASSURE PRODUCT QUALITY; AND,
- ENSURE ORGANIZATIONAL ACCOUNTABILITY.

EDA IS WORKING TO REFORM ITS GRANTS APPLICATION PROCESS THROUGH A NINE PROJECT PILOT PROGRAM (PILOT). THE EDA PILOT IS TARGETED FOR COMPLETION DURING THE THIRD QUARTER OF FY 1994. UPON COMPLETION, EDA WILL OBTAIN OMB APPROVAL FOR A STREAMLINED APPLICATION PROCESS. THE REVISED PROCESS AND REGULATIONS WILL BE PUBLISHED THEREAFTER AND ARE EXPECTED TO BE FULLY OPERATIONAL FOR FY 1995.

IN ORDER TO FACILITATE THE STREAMLINING OF EDA'S OPERATIONS, IMPROVE AGENCY SERVICES AND UPGRADE THE COLLECTION AND DISSEMINATION OF INFORMATION, EDA REQUESTS A NET INCREASE OF \$2.105 MILLION FOR PROGRAM SUPPORT. EDA'S MANAGEMENT INFORMATION SYSTEMS IN RECENT YEARS BECOME SUBSTANTIALLY OUTDATED AND TECHNOLOGICALLY INCOMPATIBLE WITH MANY CURRENT GOVERNMENT AND INDUSTRY STANDARDS. THE REQUESTED INCREASE WILL ENABLE EDA TO CONVERT TO A MORE EFFICIENT, ECONOMICAL SYSTEM AND TO UPGRADE ITS NOW OBSOLETE INFORMATION CAPABILITIES.

THE OFFICE OF ECONOMIC CONVERSION (OECI) WAS ESTABLISHED TO SERVE AS A CENTRAL INFORMATION CLEARINGHOUSE ON MATTERS RELATING

TO ECONOMIC ADJUSTMENT AND DEFENSE CONVERSION PROGRAMS AND ACTIVITIES OF THE FEDERAL, STATE AND LOCAL GOVERNMENTS. RESOURCES ARE REQUESTED FOR THE FIRST TIME TO PERMANENTLY FUND AND EXPAND THE OPERATIONS OF THE OECl. IN ADDITION TO ITS ON-GOING MISSION OF PROVIDING ACCESS TO AND EXPANDING AVAILABLE INFORMATION ON ECONOMIC CONVERSION, THE OECl WILL:

- CONTINUOUSLY UPDATE AND EXPAND THE INFORMATION BASE THROUGH IN-HOUSE RESEARCH AND CUSTOMER FEEDBACK;
- INCREASE THE EASE OF ACCESS TO NEEDED INFORMATION FOR COMPUTER BASED CUSTOMERS;
- SOLICIT INFORMATION FROM CUSTOMERS TO BE SHARED THROUGH THE CLEARINGHOUSE AND FACILITATE COMMUNICATION AND INFORMATION SHARING AMONG AND BETWEEN CUSTOMER GROUPS; AND
- FACILITATE INTERAGENCY AND INTERGOVERNMENTAL COOPERATION TO IMPROVE THE COORDINATION OF AND ACCESS TO EXISTING INFORMATION.

ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS

EDA PROVIDES A BROAD RANGE OF ECONOMIC DEVELOPMENT ASSISTANCE IN ECONOMICALLY DISTRESSED AREAS IN AN EFFORT TO CREATE

AND RETAIN JOBS AND TO ASSIST COMMUNITIES TO BUILD AN ECONOMIC FOUNDATION FOR THE FUTURE. EDA USES ITS VARIOUS PROGRAM TOOLS INDIVIDUALLY OR IN COMBINATION TO MEET THE SPECIFIC NEEDS OF INDIVIDUAL DISTRESSED COMMUNITIES.

IN FY 1995, EDA WILL CONTINUE TO CONCENTRATE ITS RESOURCES IN AREAS CHARACTERIZED BY HIGH UNEMPLOYMENT, LOW GROWTH RATE, LOSS OF JOBS, OUTMIGRATION, DEFENSE CONVERSION AND PHYSICAL DETERIORATION. EDA WILL ALSO FOCUS ON AREAS WHICH HAVE BEEN ADVERSELY IMPACTED ECONOMICALLY BY NATURAL DISASTERS. EDA WILL ADHERE TO THE BASIC PRINCIPLE THAT THE BENEFITS OF ECONOMIC DEVELOPMENT WILL COME FROM CREATING, ATTRACTING, AND RETAINING GROWING COMPANIES, AND EDA WILL THUS CONCENTRATE ON PROJECTS WHICH CAN BE EXPECTED TO LEAD TO SUBSTANTIAL PRIVATE INVESTMENT AND PERMANENT, HIGH QUALITY EMPLOYMENT OPPORTUNITIES.

EDA IS REQUESTING \$131 MILLION IN ITS PUBLIC WORKS PROGRAM. EDA PROVIDES PUBLIC WORKS AND DEVELOPMENT FACILITIES GRANTS TO COMMUNITIES TO STIMULATE THESE KINDS OF PRIVATE SECTOR INVESTMENTS THAT WILL CREATE NEW, PERMANENT JOBS IN DISTRESSED AREAS. PUBLIC WORKS HAS BEEN AND WILL CONTINUE TO BE A CENTRAL FOCUS OF EDA ACTIVITY BECAUSE THE INFRASTRUCTURE NEEDS IN OUR DISTRESSED

COMMUNITIES REMAIN DAUNTING, AND INFRASTRUCTURE INVESTMENT IS THE CRITICAL ENABLER OF PRIVATE INVESTMENT FOR MANY AREAS OF THE COUNTRY. INDEED, THE COMPETITIVE PRESSURES OF THE 1990'S AND BEYOND WILL ONLY INCREASE THE INFRASTRUCTURE NEEDS OF OUR LESS-COMPETITIVE COMMUNITIES. I BELIEVE THAT THE DEGREE TO WHICH A COMMUNITY'S INFRASTRUCTURE IS "STATE-OF-THE-ART" WILL MORE AND MORE DEFINE A COMMUNITY'S ECONOMIC PROSPECTS IN THE COMING YEARS.

EDA PROVIDES GRANTS FOR ECONOMIC DEVELOPMENT PLANNING PURPOSES AND TECHNICAL ASSISTANCE, AND SUPPORTS A WIDE RANGE OF EVALUATION AND RESEARCH ACTIVITIES AIMED AT INCREASING THE PUBLIC UNDERSTANDING OF THE PROCESSES OF ECONOMIC GROWTH AND DEVELOPMENT. EDA IS REQUESTING \$37.1 MILLION FOR THESE ACTIVITIES IN FISCAL YEAR 1995, SLIGHTLY LESS THAN WAS AVAILABLE IN FISCAL YEAR 1994.

UNDER THE AUTHORITIES OF THE TITLE IX ECONOMIC ADJUSTMENT PROGRAM, EDA CAN UNIQUELY PROVIDE CUSTOMIZED PACKAGES OF ASSISTANCE TO COMMUNITIES EXPERIENCING DEFENSE CUTBACKS. SIMILAR ASSISTANCE IS BEING PROVIDED TO COMMUNITIES ADVERSELY IMPACTED BY DEPARTMENT OF ENERGY REALIGNMENTS. TO ALLEVIATE THE ADVERSE IMPACT OF DEFENSE DOWNSIZING, EDA IS REQUESTING AN ADDITIONAL \$60 MILLION IN FY 1995, FOR A TOTAL OF \$140 MILLION IN DEFENSE CONVERSION

ACTIVITIES. THE PROPOSED INCREASED LEVEL OF FUNDING WILL ALLOW EDA TO FOCUS ON:

- THE CONSTRUCTION OF BASE CONVERSION AND OTHER PROJECTS WHICH PROMOTE THE ECONOMIC DIVERSIFICATION AND RENEWAL OF DEFENSE-IMPACTED COMMUNITIES;
- REVOLVING LOAN FUND (RLF) GRANTS FOR BUSINESS ASSISTANCE WHICH INCREASE THE AVAILABILITY OF FLEXIBLE FINANCING FOR BUSINESSES THROUGH CAPITALIZATION OF COMMUNITY-BASED RLFs;
- MANAGEMENT, TECHNICAL AND COMMUNITY BUSINESS DEVELOPMENT ASSISTANCE; AND
- COMMUNITY ADJUSTMENT PLANNING THAT FOCUSES ON COMMUNITY ECONOMIC DIVERSIFICATION AND WORKS CLOSELY IN CONCERT WITH THE DEPARTMENT OF DEFENSE OFFICE OF ECONOMIC ADJUSTMENT AND ITS PLANNING FOR BASE RE-USE PROJECTS.

THE ADMINISTRATION'S BUDGET REQUEST FOR EDA FOR FISCAL YEAR 1995 WOULD PROVIDE \$50 MILLION OF ECONOMIC DEVELOPMENT ASSISTANCE PROGRAM BUDGET AUTHORITY IN THE FORM OF LOAN GUARANTEE AUTHORITY. THIS LOAN GUARANTEE BUDGET AUTHORITY WOULD ENABLE EDA TO GUARANTEE \$269 MILLION IN LOANS FOR NEW BUSINESS INVESTMENT IN DISTRESSED RURAL AND URBAN AREAS, A LEVERAGING WHICH WILL SUBSTANTIALLY INCREASE THE IMPACT OF EDA'S OVERALL PROGRAMS ACROSS

THE NATION.

AN EDA LOAN GUARANTEE PROGRAM WOULD BE THE ONLY LOAN GUARANTEE TOOL WITHIN THE FEDERAL GOVERNMENT THAT WOULD BE SPECIFICALLY DESIGNED TO BE UTILIZED TO IMPLEMENT COMPREHENSIVE LOCAL ECONOMIC DEVELOPMENT STRATEGIES FOR DISTRESSED COMMUNITIES. INDIVIDUAL LOAN GUARANTEE DECISIONS WOULD BE MADE IN THE CONTEXT OF PROMOTING JOB CREATION, JOB RETENTION, ECONOMIC DIVERSIFICATION AND THE BUILDING OF A NEW ECONOMIC BASE FOR A COMMUNITY OUTSIDE THE MAINSTREAM OF ECONOMIC GROWTH, RATHER THAN SOLELY FROM THE PERSPECTIVE OF AN INDIVIDUAL CREDIT JUDGEMENT. FOR THIS REASON, EDA LOAN GUARANTEES WOULD BE A UNIQUELY VALUABLE ECONOMIC DEVELOPMENT TOOL FOR DISTRESSED AREAS. IN ADDITION, THE LOAN GUARANTEE PROGRAM WOULD COMPLEMENT OTHER EXISTING LOAN GUARANTEE PROGRAMS IN OTHER AGENCIES, AS IT WOULD REACH LARGER BORROWERS THAN ARE REACHED BY THE SMALL BUSINESS ADMINISTRATION AND BORROWERS IN AREAS WHERE THE FARMERS HOME ADMINISTRATION DOES NOT OPERATE.

I WOULD LIKE TO ADD A WORD ABOUT EDA'S HISTORY IN LOAN GUARANTEES, WHICH I UNDERSTAND MAY BE OF CONCERN TO SOME MEMBERS OF THIS SUBCOMMITTEE. HISTORICALLY, EDA DID TARGETED PROGRAMS OF

LARGE LOAN GUARANTEES IN THE 1970S TO SEVERELY DISTRESSED INDUSTRIES AND SUFFERED HIGH RATES OF LOAN LOSSES. MY OBJECTIVE WOULD BE TO DEPART FROM THIS HISTORY ALTOGETHER. IF GIVEN BUDGET AUTHORITY, EDA WOULD UNDERTAKE TO UTILIZE ITS LOAN GUARANTEE AUTHORITY TO SUPPORT BUSINESS INVESTMENT IN HIGH-GROWTH INDUSTRIES AND IN OTHER ACTIVITIES CENTRAL TO THE FUTURE ECONOMIC BASE OF DISTRESSED RURAL AND URBAN COMMUNITIES. WHILE THERE WOULD, OF COURSE, BE RISK IN DOING SO, IT WOULD NOT BE RISK OF THE NATURE OR MAGNITUDE OF "PROPPING UP" SEVERELY DISTRESSED COMPANIES IN SHRINKING, SEVERELY DISTRESSED INDUSTRIES, AS EDA HAS DONE IN THE PAST. MY OBJECTIVE WOULD BE TO DEMONSTRATE THAT THE PRUDENT AND CONSERVATIVE PROJECTED LOSS RATE USED TO PROJECT \$269 MILLION IN GUARANTEED LOANS FROM \$50 MILLION IN BUDGET AUTHORITY COULD BE SIGNIFICANTLY REVISED IN FUTURE YEARS, BASED UPON A MORE FAVORABLE SHOWING BY EDA IN THIS PROGRAM.

EDA'S BUDGET REQUEST FOR FISCAL YEAR 1995 DOES NOT INCLUDE FUNDING FOR THE TRADE ADJUSTMENT ASSISTANCE PROGRAM. THIS DECISION DOES NOT REFLECT A VIEW THAT BUSINESS AND TECHNICAL ASSISTANCE FOR TRADE-IMPACTED MANUFACTURERS IS UNIMPORTANT, NOR A VIEW THAT THE TRADE ADJUSTMENT ASSISTANCE CENTERS ARE INEFFECTIVE. RATHER THE ELIMINATION OF THIS PROGRAM REFLECTS THE KIND OF HARD BUDGET CHOICES WHICH ALWAYS HAVE TO BE MADE, AND EDA'S VIEW THAT THIS

CAN BE PROVIDED THROUGH EDA'S EXISTING LARGER NETWORK OF UNIVERSITY CENTERS AND NIST'S EMERGING NETWORK OF MANUFACTURING EXTENSION CENTERS.

AUTHORIZING LEGISLATION

CLOSELY ALIGNED WITH THE EDA FY 1995 BUDGET REQUEST IS REAUTHORIZATION OF EDA. OVER THE LAST TWELVE YEARS, THE AGENCY HAS BEEN THE TARGET OF ELIMINATION. AS A RESULT, THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT (PWEDA) OF 1965 HAS NOT BEEN AMENDED SIGNIFICANTLY SINCE 1981. THE LEGISLATIVE PACKAGE TRANSMITTED TO CONGRESS ON FEBRUARY 2, 1994 INCLUDES A NUMBER OF TECHNICAL CHANGES AND AN ADMINISTRATION REQUEST TO PROVIDE THE ADMINISTRATION WITH AN OPPORTUNITY TO CONTINUE TO WORK WITH THE CONGRESS DURING FY 1995 TO REVITALIZE AND RE-TOOL EDA AS AN ECONOMIC ENGINE FOR THE FUTURE. THE CURRENT EDA LEGISLATIVE PACKAGE PROPOSES TO:

- PROVIDE FOR A CONSOLIDATED AND COORDINATED SET OF PROGRAM AUTHORITIES UNDER A LIMITED NUMBER OF TITLES THAT WOULD ALLOW FOR SIMPLIFIED AND STRENGTHENED DELIVERY OF EDA PROGRAMS TO THE NATION'S ECONOMICALLY DISTRESSED RURAL AND URBAN COMMUNITIES;

- RECOGNIZE THAT ECONOMICALLY DISTRESSED AREAS REQUIRE SPECIAL ATTENTION AND PROGRAMS OF SUSTAINED AND TARGETED AID TO ALLOW PRIVATE SECTOR INVESTMENT AND JOBS;

- RESULT IN A MORE CUSTOMER-ORIENTED FOCUS FOR EDA BY ELIMINATING SOME CUMBERSOME REQUIREMENTS;

- FACILITATE THE AWARD OF GRANTS, AND REDUCE TIME FRAMES FOR PROCESSING AND APPROVING GRANTS AND LOANS;

- UPDATE THE PWEDA BY ELIMINATING REDUNDANT REQUIREMENTS ALREADY COVERED BY EXECUTIVE ORDERS, AND OTHER LAWS AND REGULATIONS;

- IMPROVE PROGRAM MANAGEMENT BY PROVIDING MORE FLEXIBILITY AND CREATIVITY TO DEAL WITH CHANGES THAT MAY OCCUR IN THE POST-AWARD PERIOD;

- ELIMINATE OUTDATED AND UNNEEDED STRUCTURES, SUCH AS ADVISORY COMMITTEES AND STUDY BOARDS; AND

●ENSURE EDA HAS THE AUTHORITY TO INSTITUTE A GUARANTEED LOAN PROGRAM WHICH COMPLIES WITH THE FEDERAL CREDIT REFORM ACT OF 1990.

CONCLUSION

BY WAY OF CONCLUSION, MR. CHAIRMAN, PLEASE ALLOW ME TO BE BRIEF AND TO THE POINT. EDA HAS A TREMENDOUS OPPORTUNITY TODAY, FOR THE FIRST TIME IN WELL OVER A DECADE, TO MOVE TO THE HEART OF THE EFFORTS OF THE ADMINISTRATION TO AGGRESSIVELY AND AFFIRMATIVELY UTILIZE PUBLIC POLICIES AND PUBLIC INVESTMENTS TO PROMOTE AMERICA'S ECONOMIC RENEWAL. AMERICA'S MOST ECONOMICALLY NEEDY COMMUNITIES WILL BE THE BENEFICIARIES IF EDA IS SUCCESSFUL IN SEIZING THIS OPPORTUNITY; EDA MUST ENSURE THAT THE GROWING, GLOBALLY COMPETITIVE SECTORS OF THIS ECONOMY PROVIDE BENEFIT TO THOSE AREAS OF THE COUNTRY WHICH HAVE BEEN TOO LONG OUTSIDE THE MAINSTREAM OF ECONOMIC GROWTH. TO SEIZE THIS OPPORTUNITY, EDA MUST (i) CONTINUE IN ITS TRADITIONAL ROLE OF INVESTING IN PUBLIC WORKS PROJECTS AS A VERY IMPORTANT MEANS OF PROMOTING THE FUTURE ECONOMIC VITALITY AND COMPETITIVENESS OF MAJOR AREAS OF THE COUNTRY, (ii) EMBARK ON NEW DIRECTIONS WHICH WILL SERVE NEWLY DISTRESSED AREAS AND WHICH WILL

ENABLE DISTRESSED AREAS TO RESPOND TO THE ECONOMIC DYNAMICS OF THE 1990S AND BEYOND. AND (iii) IMPROVE OUR DELIVERY OF SERVICES SO THAT WE ARE BETTER AT DOING WHAT WE DO. I BELIEVE THAT THE BUDGET REQUEST PRESENTED TO YOU TODAY WILL ENABLE US TO MAKE PROGRESS IN ALL OF THESE AREAS.

BEFORE WE ADDRESS QUESTIONS FROM THE SUBCOMMITTEE, I WOULD LIKE TO INTRODUCE EDA PERSONNEL ACCOMPANYING ME TODAY: WILBUR F. HAWKINS, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT; PEDRO R. GARZA, DEPUTY ASSISTANT SECRETARY FOR PROGRAM OPERATIONS; CHESTER J. STRAUB, JR., DEPUTY ASSISTANT SECRETARY FOR PROGRAM SUPPORT; JOSEPH LEVINE, CHIEF COUNSEL; DEBORAH SIMMONS, ACTING BUDGET OFFICER; AND ELLA RUSINKO, DIRECTOR FOR CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS. THANK YOU, MR. CHAIRMAN.

Mr. MOLLOHAN. We welcome your fine staff here today.

Mr. GINSBERG. Thank you.

DEFENSE CONVERSION

Mr. MOLLOHAN. Mr. Ginsberg, I appreciate your presentation, and the numbers that we received earlier would suggest that EDA is really gearing up for defense conversion. Is that a fair statement?

Mr. GINSBERG. That is a fair statement, Mr. Chairman, yes.

Mr. MOLLOHAN. First of all, are you receiving any money at all from the Department of Defense for defense conversion activities?

Mr. GINSBERG. Well, we do work closely with the Office of Economic Adjustment in the Defense Department, Mr. Chairman.

Mr. MOLLOHAN. What is their budget?

Mr. GINSBERG. I am not certain.

Mr. MOLLOHAN. What do you do with them or for them?

Mr. GINSBERG. Well, we work together in the field in communities that are impacted by base closures. The focus of the Office of Economic Adjustment is base closures; and the Office of Economic Adjustment funds planning, particularly around reuse of base facilities. We work closely in those efforts to assist communities in broader planning for economic diversification in the community as a whole, and to provide funds for various ways of implementing base reuse plans.

SHARED RESOURCES WITH DEFENSE

Mr. MOLLOHAN. So do you share resources in your efforts to transition communities from defense-related activities to other activities?

Mr. GINSBERG. In prior fiscal years, we received funds from the Department of Defense Office of Economic Adjustment; I believe in fiscal years 1992 and 1993.

Mr. MOLLOHAN. What were the dollar amounts of those transfers?

Mr. GINSBERG. It was a total of \$130 million; \$50 million in fiscal year 1992 and \$80 million in fiscal year 1993.

Mr. MOLLOHAN. And you administered those funds?

Mr. GINSBERG. That is correct. Those were received from DOD.

Mr. MOLLOHAN. Do you anticipate having a like transfer in fiscal year 1995?

Mr. GINSBERG. We have no anticipation of such a transfer, no.

Mr. MOLLOHAN. You do not believe it is going to occur?

Mr. GINSBERG. We do not.

Mr. MOLLOHAN. Have you been in communication with the Defense Department about that?

Mr. GINSBERG. I have not personally had conversations with the Defense Department about that, but we did not have that in fiscal year 1994, nor do we anticipate that in 1995.

Mr. MOLLOHAN. Oh, you do not have any of those funds in 1994?

Mr. GINSBERG. We have Defense funds available to us now, but these were received in fiscal years 1992 and 1993. There were no transfers from current year funds.

Mr. MOLLOHAN. I see. So in 1992 and 1993, you had defense conversion dollars, which came from the defense appropriation bill?

Mr. GINSBERG. Correct.

Mr. MOLLOHAN. In 1994 and 1995, EDA will need to come up with those dollars; is that correct?

Mr. GINSBERG. That is correct.

Mr. MOLLOHAN. They are dollars for the same programs, is that correct?

Mr. GINSBERG. Yes.

Mr. MOLLOHAN. Does that explain the huge increase in your request for defense conversion?

Mr. GINSBERG. I think the increase is, to some degree, a function of that. It is also a function of the fact that we anticipate that additional bases are being closed. We anticipate that activity which has been rising on an annual basis will continue to rise through fiscal year 1995.

Mr. MOLLOHAN. And if you are going to be in the business of defense conversion, you are going to have to get the money in your accounts, because you are not going to get it from the defense budget, is that correct?

Mr. GINSBERG. That is correct.

SHIFT OF EDA RESOURCES

Mr. MOLLOHAN. What would you say to the people—and there are some around, believe it or not—who have expressed concern that this represents a shift of such quantity of your resources as to change the qualitative nature of EDA's programs?

Mr. GINSBERG. Well, I wouldn't agree with that. This certainly represents a focus within the EDA and within the Administration on the changing nature of the defense budget.

Mr. MOLLOHAN. Do you think it also reflects to some degree a lack of concern, at least to the extent that you are asking for less money in the traditional Economic Development Administration programs, for traditional economic development problems?

Mr. GINSBERG. No, I don't. I believe that it does not reflect that, and there are several reasons why I say that. I am, in fact, trying to ascertain the degree to which this bears out from the history.

Mr. MOLLOHAN. I am sorry. I didn't hear that. Could you repeat that?

Mr. GINSBERG. Well, let me go on, and then I will repeat myself. The availability of additional funds in what we call our Defense Conversion Activities provides us with additional resources to assist defense-impacted communities in their economic adjustment activities. This, in turn, makes available other program funds for nondefense-impacted communities to a greater degree, because as a matter of policy, we are not spending nondefense conversion monies for defense-eligible activities.

STRETCHING PUBLIC WORKS

Mr. MOLLOHAN. How does getting more money into defense conversion give more money to Public Works grants when you are requesting almost \$30 million less in that category? I do not follow that logic.

Mr. GINSBERG. What I am suggesting is that the Public Works pool of funds allocated on a regional basis will go further for nondefense-impacted communities because we do not anticipate

spending significant amounts of that money in defense-impacted communities.

Mr. MOLLOHAN. Well, are you spending significant amounts of that money? Let's see, in 1994 you had \$160 million appropriated for Public Works grants, is that correct?

Mr. GINSBERG. That is correct.

PUBLIC WORKS AND DEFENSE CONVERSION

Mr. MOLLOHAN. And you had \$80 million appropriated for defense conversion programs? Are you spending some of this \$160 million for defense conversion?

Mr. GINSBERG. No.

Mr. MOLLOHAN. Well, then how are you going to have more money available for Public Works if you are increasing Defense Conversion and you are decreasing Public Works? Your rationale, as I understood it, was that you would not have to spend the Public Works money on conversion, but you just said you aren't spending any money on Defense Conversion. So how does that make more money for Public Works?

Mr. GINSBERG. What I mean to suggest is that the Defense Conversion money that we have spent for infrastructure improvement activities in defense-impacted communities means that regular Public Works funds do not need to be spent in defense-impacted communities.

Mr. MOLLOHAN. So you are going to spend the Public Works money, for Public Works-type grants in the defense communities?

Mr. GINSBERG. No, no. I am sorry. I am not making myself clear.

Mr. MOLLOHAN. I am probably mishearing this. And probably misreading these, but I am interested to see how you sort that out.

Mr. GINSBERG. Let me try that again. As a matter of policy, we are not spending Defense Conversion funds in nondefense-impacted areas.

Mr. MOLLOHAN. Okay.

Mr. GINSBERG. Let me try that again.

Mr. MOLLOHAN. I am with you so far.

Mr. GINSBERG. The basic point is this: We believe, and I am reconstructing the history now to see whether the past history shows this to be the case, that by having additional Defense Conversion monies available to do various activities in defense-impacted communities, including a significant amount of infrastructure improvement-type activities in defense-impacted communities, that this frees up more Public Works money for infrastructure investments in nondefense-impacted communities within each region.

Mr. MOLLOHAN. Are you spending Public Works grant money in Defense Conversion areas now?

Mr. GINSBERG. We do not have a flat policy prohibition on spending Public Works activities in defense-impacted areas, but we are reviewing that issue now, because I want to make sure that we are not, in fact, shortchanging nondefense-impacted communities as well.

Mr. MOLLOHAN. Did that answer my question?

Mr. GINSBERG. I attempted to.

Mr. MOLLOHAN. My question was, are you spending Public Works money in defense impacted communities?

Mr. GINSBERG. I would have to check on fiscal year 1994 and exactly what the record is on that before I give a definitive answer on that question.

Mr. MOLLOHAN. How about 1992 and 1993?

Mr. GINSBERG. We can check that as well.

Mr. MOLLOHAN. You do not know the answer to that question?

Mr. GINSBERG. I know that as a matter of policy, it is our practice to, in defense-impacted areas, to use Defense Conversion funds as a first priority, but I don't want to say definitively that we haven't spent any Public Works money in those communities without knowing that to be the case.

[The information follows:]

COUNTIES RECEIVING DEFENSE ADJUSTMENT FUNDS AS OF MAY 5, 1994

The following listing shows counties for which EDA has determined Defense—impact eligibility in response to requests for EDA defense adjustment assistance. The listing covers base closures, defense contract cutbacks, and Department of Energy defense—related cutbacks.

Additional counties will continually be added to this listing as other affected communities request defense adjustment assistance and EDA confirms their eligibility to participate in defense funding.

Defense Impacted Communities (Counties) Receiving Public Works Funds
(Dollars in thousands)

State	County	Total Def. Adj.	FY 1991 Public Works	FY 1992 Public Works	FY 1993 Public Works	FY 1994 Public Works	Total Public Works
AZ	Maricopa	588	0	0	0	0	0
AR	Mississippi	1,963	0	0	0	0	0
	Sebastian	1,163	990	0	0	0	990
CA	Alameda	150	0	0	0	0	0
	Los Angeles	12,870	647	0	0	0	647
	Merced	4,500	0	0	0	0	0
	Monterey	2,500	0	1,282	0	0	1,282
	Sacramento	225	0	0	0	0	0
	San Bernardino	6,825	0	300	0	0	300
	San Diego	5,780	0	0	0	1,290	1,290
CO	Denver	113	0	0	0	0	0
	Jefferson	113	0	0	0	0	0
CT	Hartford	113	0	0	0	0	0
	New London	3,000	0	0	0	0	0
ID	Bonneville	4,500	0	0	0	990	990
IL	Champaign	2,500	0	0	0	0	0
IN	Clark	33	0	0	0	0	0
	Marion	200	0	0	0	0	0
LA	Rapides	1,225	0	0	980	0	980
	Webster	791	0	0	0	0	0
ME	Aroostook	1,590	0	1,500	0	0	1,500
	Sagadahoc	200	0	0	0	0	0
	York	50	0	0	0	0	0
MD	Wicomico	1,000	0	0	0	0	0
	Baltimore City	184	0	0	0	0	0
MA	Suffolk	2,000	0	0	1,000	0	1,000
	Worcester	825	0	0	1,125	1,000	2,125
MI	Iosco	9,718	0	1,213	0	0	1,213
MS	Harrison	1,500	0	0	0	688	688
MO	St. Louis City	6,700	0	420	0	0	420
MT	Hill	320	0	0	0	0	0
	Roosevelt	412	0	0	0	0	0
NH	Rockingham	3,225	0	0	0	370	370
NY	Broome	145	0	0	0	0	0
	Nassau	4,560	0	0	0	0	0
	Onandaga	1,950	0	0	0	0	0
ND	Benson	1,275	0	0	0	0	0
PA	Dauphin	2,750	0	0	0	0	0
	Philadelphia	2,700	0	0	0	0	0
RI	Washington	3,500	0	0	0	0	0
SC	Aiken	1,250	0	0	0	0	0
	Berkeley	1,000	0	0	0	0	0
	Pennington	75	0	0	0	0	0
TX	Bee	4,163	0	0	0	0	0
	Travis	172	0	0	0	0	0
VA	Chesapeake	113	0	0	0	0	0
	Lynchburg	1,500	0	0	0	0	0
	Newport News	1,800	0	0	0	0	0
WA	King	387	0	0	1,320	0	1,320
WV	Mineral	27	0	0	0	0	0
	TOTAL	104,243	1,637	4,715	4,425	4,338	15,115

DEFENSE CONVERSION IN NONDEFENSE COMMUNITIES

Mr. MOLLOHAN. Have you spent any Defense Conversion money in nondefense conversion communities?

Mr. GINSBERG. For Defense Conversion monies to be used, there needs to be a showing of a nexus between the project that is proposed, and either a base closure or contractor cutback. So in a community that didn't have defense impacts, no, we would not be spending Defense Conversion funds.

Mr. MOLLOHAN. Okay. Well, I guess you get a sense of my concern, I think other members on the Subcommittee share my concern. I will probably come back to this in some other questions, but I am going to yield to Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman. Mr. Ginsberg, welcome.

Mr. GINSBERG. Thank you, Congressman Rogers.

CONFERENCE REPORT PROHIBITION ON PUBLIC WORKS IN DEFENSE
CONVERSION

Mr. ROGERS. Let me follow up with that line of questioning. In fact, this was an issue last year in our subcommittee, as I know Mr. Mollohan remembers. When we got to conference with the Senate, it became such an issue as to whether or not traditional public works monies were being used in defense conversion communities for public works projects.

We wrote a prohibition into the conference report on page 68 of the conference report, and I will paraphrase, that the monies provided in the traditional public works category would not be used for the defense conversion activities, and that monies provided for defense conversion or for grants and assistance necessary to assist communities adversely impacted by DOD and DOE contract reductions and installations and closures. So we segregated, in effect, those two monies. So if they are being cross-utilized, it is contrary to the instructions of the Congress. You are saying it is not happening?

Mr. GINSBERG. I am saying to my knowledge, it isn't happening. Let me try to be clear on what the policy has been. My understanding of the policy at EDA since the time of that conference report, Congressman, has been that we will not use and have not used nondefense funds, i.e. public works funds, to fund defense-eligible projects.

Mr. ROGERS. Well, I understand your theory. You are in effect saying to us, that by spending monies in the defense conversion areas for public works projects, they will not need monies from the traditional public works category which will make more of that available for the rest of us. Is that essentially what you are saying?

Mr. GINSBERG. For nondefense impacted areas, right.

Mr. ROGERS. I think it is a theory only, because I think those defense areas are going to soak up that money quickly.

Mr. GINSBERG. I have asked for a study within EDA of the impact of defense conversion allocations on nondefense impacted areas, to take the theory and show what kind of practical impact it has had in terms of the allocation, particularly on Public Works funds, since we started receiving defense conversion monies in fiscal year 1992. And I think the question that we need to get to, as

a matter of policy at EDA, depending on the results of that study, would be whether we, in fact, should give a preference in the allocation of public works funds for nondefense impacted areas.

As a matter of policy, EDA has not gotten to that point yet, but if we are not seeing a measurable impact of the kind that I am theorizing should have occurred, we may well get to that point in terms of how we allocate our nondefense conversion funds, i.e., Public Works funds.

REQUEST TO OMB

Mr. ROGERS. What was your total request to OMB?

Mr. GINSBERG. Let me just confer on that for a moment, if I can. On the defense conversion funds, Congressman, or total?

Mr. ROGERS. The total request.

Mr. GINSBERG. It was \$430 million which includes \$33.7 million for salaries and expenses.

Mr. ROGERS. So they gave you exactly what you wanted.

Mr. GINSBERG. Yes, just about.

Mr. ROGERS. And what about for defense conversion? Did you request \$140?

Mr. GINSBERG. The request was larger than that. It was \$206 million.

Mr. ROGERS. \$206 million?

Mr. GINSBERG. Yes.

Mr. ROGERS. And what did you request for the regular EDA Public Works category?

Mr. GINSBERG. \$135 million.

Mr. ROGERS. And for sudden and severe?

Mr. GINSBERG. \$19 million.

Mr. ROGERS. And what else did you request? How about the loan guarantee?

Mr. GINSBERG. Yes. The same. \$50 million under program authority for loan guarantees.

Mr. ROGERS. That is what you requested of OMB?

Mr. GINSBERG. Yes. Oh, I am sorry. That is a misstatement, Congressman. I apologize. We did not request loan guarantees to OMB. That came up in discussions with OMB.

Mr. ROGERS. That was an OMB initiative?

Mr. GINSBERG. Yes.

Mr. ROGERS. Who over there was advocating the new loan proposal?

Mr. GINSBERG. It was Mr. Christopher Edley, who is a Program Director at OMB, in discussions with the Office of Policy and Strategic Planning at the Commerce Department.

Mr. ROGERS. So they gave you practically all you wanted except they didn't give you anywhere near what you wanted for defense conversion. You wanted another \$110 million for defense conversion, right?

Mr. GINSBERG. That is correct.

[CLERK'S NOTE.—Subsequent to this hearing, the following correction was provided:]

The Department requested an additional \$65.8 million, not \$110 million for defense conversion. Please see the following:

Defense Economic Investment Request

In its budget to OMB, the Economic Development Administration requested a total of \$205.8 million for Defense Economic Investment. This was \$65.8 million more than our request to Congress— not \$110 million as mentioned above. The following table provides a detailed comparison of EDA's request to OMB and Congress.

DEPARTMENT OF COMMERCE
Economic Development Administration
FY 1995 Request to OMB and Congress
(Dollars in thousands)

	1995 OMB Request		1995 Congressional	
	Positions	Request	Positions	Request
Salaries and expenses	375	33,723	358	32,647
Economic Dev. Guar. Loans:	0	0	14	51,976
Economic dev. asst. program:				
Public works	...	135,385	...	130,924
Districts	...	17,759	...	18,577
Indians	...	2,964	...	2,904
States	...	1,975	...	1,935
Urban	...	2,638	...	2,584
Subtotal, Planning	...	25,336	...	26,000
Local technical assistance	...	1,200	...	1,500
National technical assistance	...	1,650	...	1,530
University centers	...	7,570	...	7,570
Subtotal, technical asst.	...	10,420	...	10,600
Research and evaluation	...	500	...	500
Trade adjustment assistance	...	0	...	0
Special econ. dev. and adj.	...	19,075	...	19,000
Defense economic investment	...	205,824	...	140,000
Subtotal, EDAP	...	396,540	...	327,024
TOTAL, EDA	375	430,263	372	411,647
Loan Guarantee Authority	...	[...]	...	[269,000]

Mr. ROGERS. Why did they cut that back?

Mr. GINSBERG. I think it had to do with overall limitations on budget authority, and also an attempt to shift resources into loan guarantees as a way to leverage more economic activity from the investment of Federal dollars.

MILITARY BUDGET VERSUS EDA BUDGET

Mr. ROGERS. Why shouldn't these defense conversion projects be done by the military budget as opposed to the civilian budget that we are dealing with here? After all, these are, I gather, problems caused by the military's activities or lack thereof; is that right?

Mr. GINSBERG. They are, both by way of base closures and also broader economic impacts from defense contract reductions.

Mr. ROGERS. Why should the rest of the country's very important infrastructure needs suffer because of activities in smaller number of military-impacted communities? Shouldn't that be a military defense budget item rather than affecting the rest of us with our problems?

Mr. GINSBERG. I think not, and let me try to answer that question separately, if I may. I think the issues that are being faced in the defense-impacted communities are classic structural economic adjustment issues. These are communities that have relied on military bases and military contractors for economic activity for many years, and in some cases for several generations.

The challenges that those communities are facing in terms of planning, not only for reuse of the facilities themselves, but also for diversification of the economy as a whole, really are economic development issues, and I believe are best tackled by an economic development agency. The military obviously has other priorities and focuses in other areas. These are issues, to me, of private sector economic activity and growth.

I think the second half of your question, Congressman, and the second half of the answer relates to the degree to which other communities in the country are suffering from infrastructure needs, and I would certainly agree that other communities in the country should not suffer in terms of the allocation of resources. It is my intention to try to see that it does not happen with the budget authority that we have. As I said, including the possibility of changes in policies with respect to the allocation of these nondefense conversion funds, I will attempt to see that this does not happen.

NUMBER OF DEFENSE IMPACTED COMMUNITIES

Mr. ROGERS. Well, how many defense communities are we talking about being impacted by this program?

Mr. GINSBERG. I don't know the total number. Do we have that?

Mr. ROGERS. Are we talking about 20, 15, a dozen?

Mr. GINSBERG. Let me try to get that for you.

Well, extrapolating from the data we have on base closures, beginning in 1991 and extrapolating forward to 1997, this table shows that 57 base closures are currently scheduled. The impacts are broader, and the number of defense-impacted communities is larger, because we are also addressing areas that have been impacted not by base closures, but by cutbacks in military spending

with major defense contractors, which in some cases has as broad or even broader economic impact than the closure of bases.

We will certainly get for you, Congressman, a detailed listing of how many impacted communities there are.

[The information follows:]

COMMUNITIES IMPACTED BY DEFENSE CLOSURE

Attached is a list of military bases closed as well as the major base realignments resulting from the first three rounds of base closures and the Department of Energy defense weapons sites that are experiencing downsizing. We point out that associated with each base closure are often many nearby communities and political jurisdictions whose economies have become dependent to a significant degree on defense-supported activity.

For example, the Fort Ord, CA facility has contributed to the economies of the communities of Monterey and Seaside to the west, Salinas to the east, Marina to the north and Monterey County itself. In addition, the State of California has a major stake in redeveloping the economies around Fort Ord as well as all of the other many communities in the state affected by defense downsizing.

While the data for base closures is more readily available, quality data on communities affected by defense contract cancellations and reductions is much more difficult to obtain. The cancellation of a single major weapon system can ripple through dozens or in some instances, hundreds of communities, each with a varying degree of overall dependency on the terminated defense work. A good example is the Seawolf submarine contract. Although the vessels are assembled and launched in Groton, CT, significant components are manufactured in communities throughout the United States with a concentration in many of the New England states. As an example, the site of a Babcock and Wilcox facility that manufactured the nuclear powerplants for the canceled subs is in Lynchburg, VA. Although EDA is responding to the defense adjustment needs of many of these communities that we have gone to or that have come to us seeking assistance, the universe of affected places is by no means limited to these.

MAJOR BASE CLOSURES AND REALIGNMENTS



1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

MAJOR BASE CLOSURES AND REALIGNMENTS



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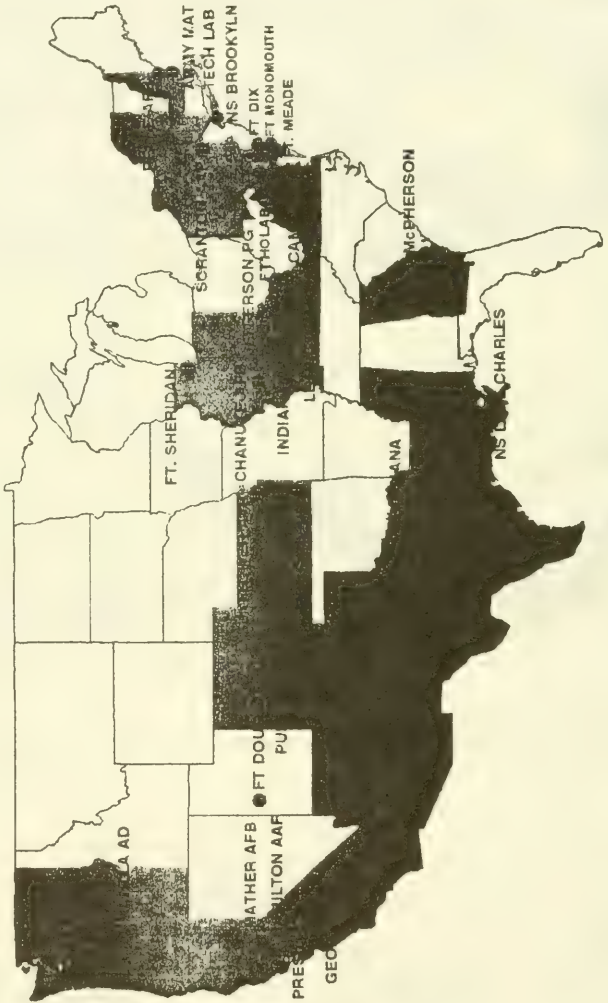
MAJOR BASE CLOSURES & REALIGNMENTS



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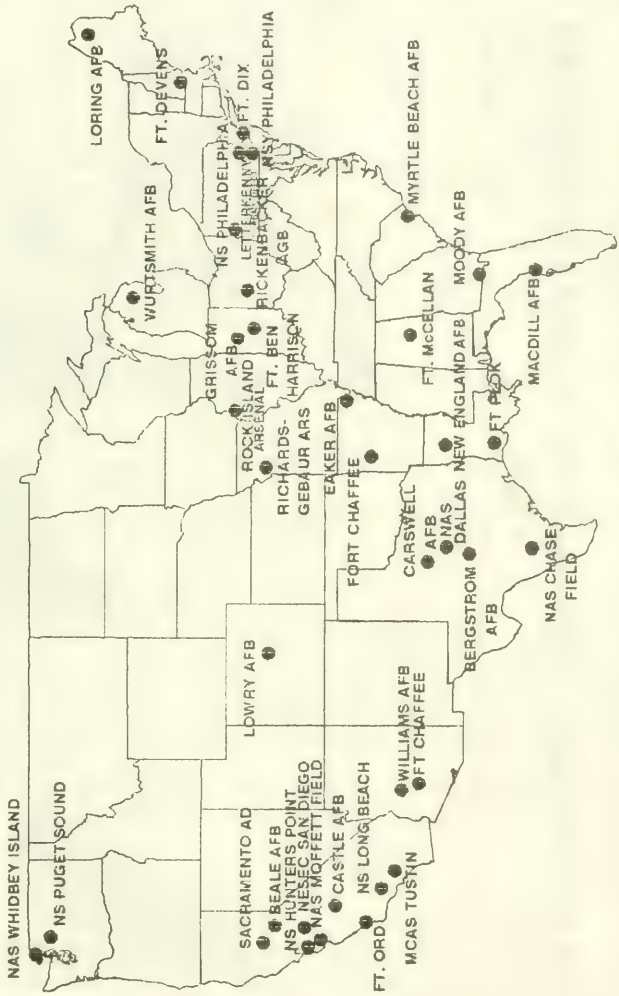
MAJOR BASE CLOSURES AND REALIGNMENTS

1988



MAJOR BASE CLOSURES AND REALIGNMENTS

1991





NUMBER OF BASE CLOSINGS IN 1995

Mr. ROGERS. If I read your chart correctly, through fiscal year 1995, there will have been 35 base closings; is that right?

Mr. GINSBERG. Yes. From those three rounds, that is correct.

Mr. ROGERS. And assumedly, the money you are asking for fiscal year 1995 would cover no more than those communities, right?

Mr. GINSBERG. That could be the start of work in some of the communities where the base closures have been announced, but not yet implemented, because we have been working in those communities up to now. So it could be broader than that.

Mr. ROGERS. Are you telling me that if you get this defense conversion money that you will not spend any of the regular public works project monies in the communities impacted by defense problems?

Mr. GINSBERG. Yes.

Mr. ROGERS. So you are going to segregate the two funds.

Mr. GINSBERG. As a matter of policy, yes.

Mr. ROGERS. And what you are saying to us is that if you do that, the rest of the country will have more than we had this year for our public works projects?

Mr. GINSBERG. Yes. I believe the Public Works funds will go further for nondefense-impacted communities, yes.

EDA PROJECT PIPELINE

Mr. ROGERS. Well, I sure hope so, because we sure have a backlog of cases. In fact, last year EDA requested, but did not get a \$94 million supplemental for public works projects, because of the tremendous backlog and demand on the program. Most of your 1994 funds are being spent on projects carried over from previous years, not current projects.

In fact, few new project applications are being accepted and funded this year. Can you tell us how many projects you carried over into fiscal year 1994?

Mr. GINSBERG. We carried over, within public works, 118 projects from fiscal year 1993 to fiscal year 1994.

Mr. ROGERS. And how many will you carry over in 1995?

Mr. GINSBERG. We are projecting carrying over 82 projects.

Mr. ROGERS. Now, will your 1995 funding request for public works be enough to eliminate all of that backlog of projects, and also meet the demands for the new project applications in 1995?

Mr. GINSBERG. Let me try, if I may, Congressman, to step back one second and try to explain why we have this carryover of projects. We typically, and historically in terms of the way EDA operates, want to sustain a pipeline of activity which carries over from one fiscal year to the next, because a number of projects fall away, and even the ones that go forward sometimes take a substantial amount of time to develop. So we do have a significantly larger pipeline than we have funding at any one moment, and we do, as a matter of course, and have for many years, invite on an annual basis more than the funds that are appropriated in any single fiscal year. So it would not be my anticipation that we would eliminate the entire pipeline during fiscal year 1995, although it is

certainly my hope that we would make progress in that direction, as we have in fiscal year 1994.

EDA PIPELINE FUNDS CARRIED OVER

Mr. ROGERS. What is the dollar amount in the pipeline, of the carryover?

Mr. GINSBERG. At the end of Fiscal Year 1993, it was \$110 million, and our projections are that it will be approximately \$80 million at the end of Fiscal Year 1994.

Mr. ROGERS. \$80 million?

Mr. GINSBERG. Yes.

Mr. ROGERS. Well, that is \$80 million worth of projects that you will not be able to fund in fiscal 1994.

Mr. GINSBERG. That is \$80 million worth of projects that are being processed and we would be relying on future year money to fund.

Mr. ROGERS. Yes. So your fiscal year 1995 request, then, for public works projects, will it be sufficient to finish what is in the pipeline and to meet the demands for this year?

Mr. GINSBERG. My projection would be that we would continue at the end of fiscal year 1995 to have a pipeline of projects in development and in processing, which would be carried over into Fiscal Year 1996.

Mr. ROGERS. So you would be unable to fund all of the projects that need to be funded in 1995?

Mr. GINSBERG. That number was not put together with the expectation of eliminating the entire pipeline in Fiscal Year 1995; that is correct.

Mr. ROGERS. How can you call for a cut in Public Works funds when you can't even finish the backlog of projects that you have underway, much less the new ones that will come in this year? How can you do that?

Mr. GINSBERG. Well, as I said, our intention is to maintain a pipeline. This is an ongoing issue from the start of one fiscal year to the conclusion of one fiscal year. The start of another fiscal year really doesn't, in that sense, affect the ongoing pipeline of projects.

Mr. ROGERS. You are talking about 35 communities that would likely be impacted, at most, by the \$140 million that you are requesting for defense conversion, and you are requesting less than that for the rest of the country.

Do you know how many communities we are talking about that are impacted by economic distress not related to the defense downsizing? Thousands. Of those communities, hundreds are severely distressed, in desperate need of infrastructure improvements critical to economic development. I went to some this past weekend, waves about up to here in eastern Kentucky. They are in an absolute terrible predicament; one of whom has been promised by the middle of this week to attract a new factory, to hire 50 or 60 people, and they are elated, but they have a severe infrastructure problem, and there is no way to get the funds, other than EDA.

Now, likely they will be knocked out because of the defense conversion in California. God bless California. But there are also other places in this country that are hurting. So I just don't understand it, I don't agree with it, and don't predict it is going to happen.

LOAN GUARANTEE PROGRAM

Now, you are requesting a new Loan Guarantee Program. We had the SBA testifying the other day. Why is EDA making loans to small businesses? Why is the EDA now into the small business loan program, and why is the SBA into the grant program for small businesses? Why are we switching those roles?

Mr. GINSBERG. I don't believe we are switching roles, Congressman. I really can't comment on any grant program of SBA. But allow me, if you will, to comment on the loan guarantee request of EDA. To me, this program could be a very valuable tool if the budget authority existed to undertake our economic development activities. To me, the fundamental distinction between EDA and a business financing entity such as SBA is that any loan guarantees that EDA pursues would be in the context of a community economic development plan.

We would be looking at jobs created, we would be looking at jobs retained, we would be looking at economic diversification. All of those issues would go into, as they do with EDA's grant programs today, the analysis of a proposed loan guarantee project.

In the case of a Small Business Administration project, as I understand it, and from the materials that I have reviewed with respect to SBA, these are fundamentally individual credit judgments that are made on an individual business basis. So I think the criteria and standards that are used are very different. And I think this would be, as I testified, in my judgment, the only Loan Guarantee Program that would be available within the Government to implement a comprehensive local economic development strategy, taking all of those factors that I enumerated into consideration.

Mr. ROGERS. Why not let the SBA do that? Why don't you stick to what you do best and let the SBA stick to what they do best? After all, they have had many years of experience in making, processing, and collecting loans and assisting small business. Why are you taking that away from them and burden EDA with that, when your agency's experience is in other disciplines of small business assistance?

Mr. GINSBERG. Well, I wouldn't consider it a burden in the sense that I think it would be a complement to what we already do. I think it could also be a complement to what SBA already does. Because in certain situations, because of the different criteria that I mentioned, there could well be transactions which SBA wouldn't be interested in doing, which we would be, not only because of the size of the transaction, but also in terms of the nature of the transaction, how it fits into the community's overall economic development objectives and plan.

I also do want to point out, just for clarity's sake, SBA is not a Commerce agency. There have been, I know, conversations at the staff level between SBA and EDA on these issues, and I would anticipate that there would certainly be more if the budget authority were forthcoming. But SBA is outside the Department of Commerce.

SBA VERSUS EDA LOAN GUARANTEE LEVERAGE

Mr. ROGERS. Well, a few weeks ago SBA was here and we asked them if they were given a \$52 million appropriation, how much would they be able to leverage in total loans? They said \$1.5 billion.

How much can you leverage with that amount of money?

Mr. GINSBERG. \$269 million is the number that we are utilizing for the purpose of this budget request.

Mr. ROGERS. We can get five times that yield by putting the same amount of money into SBA. Why shouldn't we do that? Then, perhaps we can figure out a way for SBA to be responsive in some fashion to your requests so that we let them do what they are good, and leverage the money by five times what you get, maybe with you giving them suggestions on some applications?

Wouldn't we all be smarter to do it that way?

Mr. GINSBERG. Well, I think the most important point from EDA's perspective would be to make sure that this is a tool that gets utilized in the context of comprehensive economic development, which is, as you suggested, what we know how to do and do well.

I do think that this is our fundamental objective in terms of undertaking this. I think that my hope would be that we could show a significantly better track record going forward than that which is assumed in the \$269 million leveraging figure, and that we could appear before you in future years to show a significantly lower projection of loan losses based on a good track record and significantly higher leveraging.

TARGET OF EDA LOAN GUARANTEE PROGRAM

Mr. ROGERS. Now, is it your intention to target that program to certain areas, such as maybe those not served by other agencies?

Mr. GINSBERG. We would certainly try to complement other existing programs by serving markets that are not currently served, but we would not limit ourselves in that regard.

Mr. ROGERS. Would these be going to defense conversion areas?

Mr. GINSBERG. This funding could go to defense conversion and nondefense impacted areas, both. This would not be targeted to defense conversion areas.

Mr. ROGERS. But here is another \$52 million, a good portion of which then could be added to that \$140 million for defense conversion and defense-related areas. Right?

Mr. GINSBERG. Well, it could be, but that certainly would not be our objective.

Mr. MOLLOHAN. Will the gentleman yield?

Mr. ROGERS. Yes.

Mr. MOLLOHAN. Mr. Ginsberg, did I not understand your testimony before in response to one of Mr. Rogers' other questions that it was OMB's suggestion that you subtract some dollars from your \$230 million request for defense conversion and apply it to the Loan Guarantee Program, that that was OMB's design? Did I misunderstand that?

Mr. GINSBERG. Mr. Chairman, I was not involved in those discussions myself but as I understand it, those issues were part of a se-

ries of conversations between Commerce and OMB around the EDA budget, and to what extent those two issues were related, I can't say.

Mr. MOLLOHAN. Okay.

Mr. ROGERS. Well, the blunt fact is that you requested OMB \$206 million for defense conversion; they cut you \$66 million, but then they suggested you create a \$52 million loan program.

Mr. GINSBERG. A \$50 million loan guarantee program, that is correct.

Mr. ROGERS. A Loan Guarantee Program. That is right, isn't it?

Mr. GINSBERG. That is correct, yes.

Mr. ROGERS. I know I am taking a long time, but—

Mr. MOLLOHAN. Maybe we can come back to the issue.

Mr. MORAN. No, that is all right.

Mr. ROGERS. I will yield, because you ask them so much better than I do.

Mr. MORAN. On the contrary. But other than the fact that you think they are getting too much money for defense conversion, and you don't like the program and don't think it is going to pass anyway, what else turns you on about it?

I don't disagree with you, though, either of you. I think Mr. Mollohan has a similar level of enthusiasm for the defense conversion transfer from the public works program. And, of course, in an area like mine, we have a whole lot of defense downsizing going on, but none of that is eligible for any kind of help from the EDA, because we are not economically depressed enough. So I would assume that a high-tech area like Northern Virginia would be out of the loop. Is that correct?

Mr. GINSBERG. Well, the area's eligibility would have to be determined under the program criteria for public works or for sudden and severe economic dislocation, which are the existing program areas.

Mr. MORAN. Well, there could be sudden and severe economic dislocation, but don't you have to be pretty economically depressed as a region as well? I gather that this is kind of a last resort after the community has pretty well lost its capacity to absorb defense personnel into any other type of industry.

Mr. GINSBERG. That is substantially the case. I don't know about the specific eligibility of communities within your district, Congressman.

DISASTER ASSISTANCE

Mr. MORAN. No, I understand that, except that my district is probably going to be the most impacted by defense cut, but it will probably get the least Federal assistance. But let's ask about some of the new money that you received. You got some money for the Midwest flood, right?

Mr. GINSBERG. Yes.

Mr. MORAN. And you got money for the L.A. earthquake?

Mr. GINSBERG. No.

Mr. MORAN. No? None whatsoever? You asked for it and didn't get it?

Mr. GINSBERG. We have a request pending under the Presidential contingency funds, but we have not received word on that request at this time.

Mr. MORAN. I see. But the funds are available for that purpose if the executive branch saw fit?

Mr. GINSBERG. That is my understanding, yes.

Mr. MORAN. It is just that they have not seen fit to give you that programmatic authority at this point, spending any of the supplemental money?

Mr. GINSBERG. Yes.

Mr. MORAN. How much of the Midwest flood money has been spent or obligated?

Mr. GINSBERG. The total obligated is slightly over \$1 million in fiscal year 1994. The total obligated to date is \$6.4 million.

Mr. MORAN. Well, how much did you get for fiscal year 1994?

Mr. GINSBERG. \$100 million became available in fiscal year 1993 and remains available through fiscal year 1995.

Mr. MORAN. Okay. It became available in fiscal year 1993 for 1994, \$100 million. And you have now obligated \$1 million of the \$100 million? The flood has receded now, hasn't it?

Mr. ROGERS. Yes.

Mr. MORAN. What we gave the money for has receded. I would assume that the waters have receded. The problem is that only \$1 million having been obligated out of \$100 million, isn't that a fairly marginal level of obligation?

Mr. GINSBERG. Let me fill in that whole story, if I may.

Mr. MORAN. Sure.

Mr. GINSBERG. Of the first \$100 million available, the total 1993 and 1994 obligations are \$6.4 million. That is as of the end of February of 1994. In addition to that, there is \$3.5 million being transferred to the United States Travel and Tourism Administration. Also \$1.5 million will be given to the Department of Agriculture and the Corps of Engineers, and \$18 million committed for an on-going levee repair program that we are engaged in.

We have \$49.6 million in invited applications, leaving a balance of approximately \$20.4 million from the original \$100 million. The second \$100 million was just recently made available. We have approximately \$124 million in pre-application proposals, as of the end of February, that our Chicago and Denver field staffs are working on.

Mr. MORAN. Let me make sure I understand. You had \$100 million available in fiscal year 1994 that was appropriated in 1993?

Mr. GINSBERG. There was \$200 million appropriated in fiscal year 1993. Only \$100 million was made available to us at that time, and then the second \$100 million was made available to us in fiscal year 1994.

Mr. MORAN. How much of that was the Midwest supplemental?

Mr. GINSBERG. That is just referring to the Midwest supplemental. That is \$200 million.

Mr. MORAN. Okay. So it was a \$200 million emergency supplemental, \$100 million for fiscal year 1993 and \$100 million for 1994.

Mr. GINSBERG. \$100 million was made available in 1993.

Mr. MORAN. Right. For obligational purposes.

Now, of the \$100 million that was available in fiscal year 1994?

Mr. GINSBERG. Correct.

Mr. MORAN. You have obligated \$1 million?

Mr. GINSBERG. No. We have obligated \$6.4 million.

Mr. MORAN. \$6.4 million out of the \$100 million. So you have \$94 million left from that emergency supplemental money to obligate?

Mr. GINSBERG. From the first \$100 million, that is correct.

Mr. MORAN. Okay. And none of the second \$100 million has been obligated as yet?

Mr. GINSBERG. That is correct.

TRANSFER TO U.S. TRAVEL AND TOURISM ADMINISTRATION

Mr. MORAN. Okay. Now, of the \$6.4 million, was some of that money transferred for travel and tourism?

Mr. GINSBERG. No. The transfers were over and above the \$6.4 million.

Mr. MORAN. Okay. How much did you transfer to travel and tourism?

Mr. GINSBERG. \$3.5 million is what we will be transferring. And there were two other commitments totaling \$2 million.

Mr. MORAN. To travel and tourism?

Mr. GINSBERG. No. Agriculture and the Corps of Engineers.

Mr. MORAN. Did this subcommittee approve that transfer?

Maybe I can talk to Mr. Brown directly here. It is below the required reprogramming limit, right?

Mr. BROWN. No, sir. One of these is considered a reimbursable project, under the emergency funds made available to EDA.

Mr. MORAN. What is an emergency about travel and tourism Mr. Ginsberg? What kind of emergency is tourism in your experience?

Mr. GINSBERG. My understanding is that the flood had a significant economic impact on tourism, and a decision was made that this was a worthy investment in the economic relief and recovery of the impacted region, a tourism program that would promote tourism in the impacted region.

Mr. MORAN. Whose decision was that?

Mr. HAWKINS. It was a departmental decision, sir. It was made within the department.

Mr. MORAN. When I asked whose decision—excuse me. Did it originate within the Department of Commerce, that great idea?

Mr. HAWKINS. Congressman, I am Wilbur Hawkins, Deputy Assistant Secretary of the Economic Development Administration.

Let me respond to the question. We had significant information from the flood impacted States that their tourism economy had been devastated by the floods of the Midwest. The Department and EDA are working with the nine States' departments of tourism to help that industry recover within the area.

Mr. MORAN. So can I get my question answered?

Mr. HAWKINS. Your question was, did that request originate within the Department of Commerce?

Mr. MORAN. Yes. Did it originate with the Department of Commerce, to the best of your knowledge?

Mr. HAWKINS. The request for assistance?

Mr. MORAN. Yes.

Mr. HAWKINS. No, it didn't. It originated from the impacted States themselves.

Mr. MORAN. And you decided to take the money out of the EDA, transfer it over?

Mr. HAWKINS. Yes, sir. It was a transfer for assistance to the States' departments of tourism.

AUTHORIZATION FOR FLOOD TRANSFER

Mr. MORAN. Was it specifically authorized for a reimbursable function? Where do you get the authorization to do it? I am just asking. Is that an unfair question or—

Mr. BROWN. Well, section 708(c) of the Public Works and Economic Development Act of 1965 provides the authority.

One of the problems has been a lack of tourists returning to the areas. For example, in the San Francisco earthquake, I believe there were also some funds spent on the L.A. riot supplemental as well, there were some funds spent for tourism.

To assure people that it was safe to come back and that the facilities were open and to reattract the visitors.

Mr. MORAN. PR in other words? Public relations expenditures?

Mr. BROWN. For tourism promotion.

Mr. MORAN. Well, yes. Let me posit an observation here, and if I am completely off base, I trust you will correct me.

We had an emergency supplemental request because we had devastating floods. We provided \$200 million of that money, a not inconsequential sum, to the Economic Development Administration. The flood has now receded. The levees are being repaired. The \$200 million that we provided on an emergency basis was off budget because it was an emergency. It just added to the deficit because it was of such an extreme nature.

Mr. ROGERS. It was not offset.

Mr. MORAN. There was no offset, right. I shouldn't say it was off budget—there was no offset because it was of such an extreme, urgent nature.

So of that extreme urgency for which \$200 million was provided, we have so far—how many months later after the Midwest flood—obligated \$6 million of the \$200 million, right?

Mr. GINSBERG. Correct.

Mr. MORAN. \$6.4 million. How much in addition to the \$6.4 million has been committed?

Mr. GINSBERG. We have invited applications for \$49.6 million.

Mr. MORAN. \$49.6, plus the \$6?

Mr. GINSBERG. Correct.

Mr. MORAN. So we are talking about approximately one-fourth of the \$200 million has been committed.

Mr. GINSBERG. We also have \$18 million committed to a levee repair program which is in the works now, and we have another \$5.5 million committed as we discussed a few moments ago, so that is another \$23.5 million, and we also have pre-applications, that is to say, projects which we are working on with grantees, which total almost \$124 million as of the end of February.

So that is, in fact, a total of obligations plus transfers plus the EDA levee repair program is about \$30 million, applications invited is almost \$50 million more, so that is approximately \$80 million, and the pre-applications are another \$123 million so that is approximately \$200 million in obligations and active project profiles.

Mr. MORAN. Well the preapplications, that is anybody that wants the money has sent in an application. Those have not necessarily been screened.

Mr. GINSBERG. Some of those are in the very early stage and some of those are further along in the process.

URGENT SUPPLEMENTAL VERSUS REGULAR APPROPRIATION

Mr. MORAN. Well, my concern, Mr. Chairman, is that when we provide emergency money for which we don't find an offset, we ought to be sure that it is money that is going to be spent on an urgent basis for critically essential purposes.

And six months later, you only got a long list of pre-applications, some of which you have considered in depth, others are brand new, I am sure they haven't had much consideration. But it is only a very small amount of money that we actually know how it is going to be used.

So I wonder, is it an unfair question to ask why couldn't the money have been requested and provided for during the regular appropriations cycle or at least half of it or three-quarters of it?

Mr. GINSBERG. Well, let me say if I may, a couple of words about that. I have devoted a fair amount of my attention to this issue in the few weeks that I have been at EDA, and I would like to state a couple of important observations.

One, I do think there is a role for not only emergency relief, but also economic recovery activities within the Federal emergency response to a major disaster. That is not, in any way to suggest, Congressman, anything different from what you just said in terms of the need to spend funds urgently.

Mr. MORAN. No. It is the need to meet urgent needs. I don't want you to spend funds urgently. I want you to, when we have an urgent need that has to be met and can only be met by the Federal Government and is so urgent that we can't go through the normal process and find an offset, we have to add it to the Federal budget, that is legitimate.

I am not suggesting that you should go about spending on an urgent basis.

Mr. GINSBERG. I stand corrected. That is a better way. So I do think that economic recovery has an important role and communities need to be planning and then implementing economic recovery plans immediately after a major disaster such as occurred last summer in the Midwest or in January in southern California.

The other observation I would make is that I have been struck by how long this has taken and by the fact that EDA did not have, at the time the flood emergency arose, a separate set of procedures under which it could operate to expedite processing of this.

There were additional flood coordinators who were deployed in the impacted areas with the monies that the Congress made available. In terms of EDA's process for getting projects into the pipeline and getting projects processed through the pipeline, we were, until last week, operating under our normal processes. One of the things that I have noted, as I said early on in my tenure at EDA, is that we need to have different ways of responding in terms of process so that we can move more quickly. We have, within the last week, taken steps to shorten our process in the flood area and we

would certainly do the same thing in other disaster situations, re-deploy the flood coordinators so that they are more involved in project development, and simply put more resources into getting projects into the pipeline and change our processes so we can process projects through the pipeline. That is a priority of mine and has been a concern of mine since I have been at the agency.

Mr. MORAN. I appreciate that and I appreciate the fact that you are new on board so I don't level this criticism, is a fair word, at you. It really ought to be leveled at the Congress as far as I am concerned for so readily providing money for which we didn't know how it was going to be spent and, in fact, has not been spent on an urgent basis. Again, which in fact could have been appropriated in the normal cycle and we could have found offsets for it.

It is clearly an indication that haste makes waste. It is not the kind of thing that justifies going around the agreed upon budgetary process where you will find a way to pay for everything that you spend. I don't think much can be done about it now except that I would hope that we will be careful in the commitment of the subsequent funds because, again, they are special funds since they didn't have to go through the normal budget process and when they got audited, I hope that they don't reveal that they were spent on a less demanding basis than the normal funds would be spent that come from the regular appropriation process.

Mr. GINSBERG. I would assure you that is not our intention. One thing I think that can be done about it now, and we have taken steps to do over the last several weeks, is to expedite the process. In fact, our projections are that we will have this money fully committed and obligated well in advance of the end of the two years made available by the Congress.

LEVERAGING LOANS

Mr. MORAN. Well, I am anxious to hear Mr. Rogers' further questions, but I do have some concern that is shared with him and perhaps by the Chairman of the leveraging of your loans. It sounds good, turning \$50 million into \$269—are those the figures?

Mr. GINSBERG. That is correct.

Mr. MORAN. But SBA uses only a 2.7 leverage rate. We are talking about a billion and a half dollars there. So I think you are going to have to meet a tough test to show that we need a new program that can accomplish much more with less leverage under EDA than what we are getting out of SBA, so with that, Mr. Chairman—

Mr. MOLLOHAN. We will come back to you.

Mr. MORAN. That is enough. I made my point. I don't need to drag them through the street with it.

CONCERN ABOUT SHIFT TO DEFENSE

Mr. MOLLOHAN. A couple of more questions about your priorities here, Mr. Ginsberg, and how you are shifting money to defense conversion. I think you get a sense of the concern on this Committee about that.

Mr. GINSBERG. I do.

Mr. MOLLOHAN. And for EDA requesting such a disproportionate amount of your resources for defense conversion while the Depart-

ment of Defense gives up any responsibility for participation in funding the efforts.

Just looking at the numbers here, you have got a \$140 million request, and that is an increase of \$60 million for defense conversion. You had a \$206 million request, but OMB took it down to \$140 million down \$66 million.

And specifically regarding your FTEs, you have requested an FTE reduction of 18 positions, yet you have requested an increase of \$4.647 million for the salaries and expenses account. What proportion of that increase would be dedicated to defense conversion type activities?

Mr. GINSBERG. I am sorry?

[The information follows:]

FTE REDUCTION

EDA's 1995 Congressional Budget requested a total of 372 positions and 350 FTE. The reduction of 17 FTE referred to, in fact, only represents a net decrease of 3 FTE to EDA's FY 1995 Budget which is in compliance with the Administration's objectives to reduce FTE and thereby realize administrative savings. The Credit Reform Act of 1990 requires that all funding for an agency's credit program be displayed as separately identified subaccounts (P.L. 101-508 Sec. 504(g)). In accordance with this requirement and as a result of EDA's request for a new loan guarantee program in the FY 1995 Budget, we have transferred the people and 14 FTE that were previously captured in the Salaries and Expenses account under the Credit and Debt Management and Liquidation Divisions to the Economic Development Guaranteed Loan account.

The following tables show the positions and FTE, by account, for FY 1994, 1995 Base and 1995 Estimate.

| Account | 1994 Enacted | | 1995 Base | | 1995 Request | | Difference Base/Request | |
|--------------------|--------------|-----|-----------|-----|--------------|-----|-------------------------|-----|
| | Pos. | FTE | Pos. | FTE | Pos. | FTE | Pos. | FTE |
| S&E direct | 375 | 353 | 362 | 339 | 358 | 335 | - 4 | - 4 |
| Reimbursable | 0 | 2 | 0 | 2 | 0 | 2 | 0 | 0 |
| EDGL | 0 | 0 | 13 | 14 | 14 | 15 | 1 | 1 |
| Total | 375 | 355 | 275 | 355 | 372 | 352 | - 3 | - 3 |

Mr. MOLLOHAN. What portion of the salaries and expenses increase will be used for defense conversion program activities?

In other words, why are you asking for an increase in the salaries and expenses account when you are asking for a decrease in your FTE levels?

Mr. GINSBERG. Well, there are a series of issues to which those funds would be applied, including improving program evaluation, upgrading our management information systems, enhancing our grant processing procedures would take a little over \$2 million of the \$4 million S&E increase.

Mr. MOLLOHAN. \$2.3 million?

Mr. GINSBERG. \$2.1 million.

Mr. MOLLOHAN. For?

Mr. GINSBERG. For various nonpersonnel upgrades to the management information systems, enhancing our capacity in terms of grant processing systems, computers.

Mr. MOLLOHAN. Is this buying equipment?

Mr. GINSBERG. To a substantial degree it is, yes.

Mr. MOLLOHAN. Besides buying equipment, what is that increase for?

Mr. GINSBERG. The balance, Mr. Chairman, of the total S&E figure, which you asked about, is for permanently funding staff in the Office of Economic Conversion Information. So that is defense conversion-related, to go back to your original question.

Mr. MOLLOHAN. Is that the \$2.3 million?

Mr. GINSBERG. That is \$2.3 million, yes, that is correct.

DEFENSE CONVERSION/LOAN GUARANTEE PROGRAM

Mr. MOLLOHAN. How much of the \$51,976,000 requested for loan guarantees do you estimate would be spent on defense conversion activities? You have looked at that, haven't you?

Mr. GINSBERG. I don't have a specific number to offer, but certainly the loan guarantee fund authority is not in any way intended to be, nor will it be, targeted for defense conversion activities or defense impacted communities.

Mr. MOLLOHAN. Okay, but you must have had some discussions about how you are going to use the \$51.976 million you requested.

Mr. GINSBERG. Are you asking about the breakdown between S&E and program monies or how the program monies would be expended?

Mr. MOLLOHAN. I am talking about it as a matter of policy. How you are going to apportion these dollars between traditional economic development activities and the defense conversion activities?

Mr. GINSBERG. I do not at this point have a sense of how that would break down.

Mr. MOLLOHAN. You all haven't had any discussions about that? When you talked with OMB, they did not give you an idea of what areas they were targeting with this money?

Mr. GINSBERG. No. The money would be primarily to support business financing and business financing activities, but that could exist not only in defense-impacted communities and related to defense conversion, but in other communities as well.

Mr. MOLLOHAN. Of course it could. And what I am asking you is to give us some sense of how you feel they are going to be apportioned between those two activities. Perhaps the answer is, as I hear you speaking that you haven't looked at that.

Mr. GINSBERG. I have not——

Mr. MOLLOHAN. And I am surprised to hear that if that is the case.

Mr. GINSBERG. I do not have a sense of how that is going to be broken out at this time.

Mr. MOLLOHAN. In your justification, you said firms which need EDA loan guarantees include firms adjusting to market changes due to defense downsizing. That was the first thing you listed. Then you mention natural disasters and competition, then you mention firms in declining urban areas and firm modernizing to become competitive in the world economy.

And all of those, I think, would be legitimate activities for this account. But your answer to me was that you haven't thought about how that would be apportioned among those various activities.

Mr. GINSBERG. Quantitatively, no.

Mr. MOLLOHAN. Okay, fair enough. I just wanted to make sure you understood what I was trying to get at.

Assuming half of the requested \$51.976 million was for defense conversion, as an assumption, \$26 million we will say, then we are looking at a total of \$166 for defense conversion right there and there may be other resources as well that I'm not aware of. In my opinion, this represents a radical reordering of EDA's resources from the traditional activities. We have pointed it out here today in a number of different ways, and we have expressed concerns about it. However you slice it and however you respond to all these questions, I keep coming back to the fact that you have brought to us a very large increase for defense conversion and an absolute decrease in traditional public works programs. That is of concern to me and to other Members of the Committee.

In your conclusion, you say:

EDA must ensure that the growing globally competitive sectors of this economy provide benefit to those areas of the country which have been too long outside the mainstream of economic growth. To seize this opportunity, EDA must continue its traditional role of investing in public works projects as a very important means of promoting future economic vitality and competitiveness of major areas in the country, and, two, embark on new directions which will serve newly distressed areas which will enable distressed areas to respond to economic dynamics of the nineties.

I really embrace that statement because I hear you saying that even the traditional sectors need to be globally competitive, which means they must target sectors of the economy that are going to grow, like information, software, and other similar sectors. And you are also saying that we have to continue our traditional role of infrastructure investment while we embark in new directions.

I very strongly believe that economic diversification must be an integral part of any economic development strategy. We must support the traditional industries, but we also have to diversify. I hear you saying this, and I agree wholeheartedly.

Mr. GINSBERG. Yes.

EDA DIVERSIFICATION

Mr. MOLLOHAN. Are you undertaking strategic planning efforts about what sectors you will target with the Public Works grant program in order to achieve the necessary diversification piece in traditional areas?

I understand what you are doing in the military conversion areas, but I am thinking about the traditional areas which, as Mr. Rogers has pointed out, represent most of the country by far.

Mr. GINSBERG. I do not, Mr. Chairman, have a formula for various parts of the country that have been served by the Public Works Program and that have the traditional constituency of EDA in mind, but I think you are reading my remarks very accurately.

I think it is very important that diversification and strategic planning for the future is focused on where growth is going to be for all the sectors of this economy and on all the geographical areas in this country. I think that it would be at a moment in time when the Administration in Washington is committed to a partnership with business for the first time in many years, investing strategically both as a matter of public money and as a matter of public policy in supporting the high growth competitive sectors of the economy and opening markets for those sectors of the economy. It would be, to my way of thinking, a supreme irony if success in that

venture which promises prosperity for this country, were to leave just historically distressed areas of the Nation behind because they don't have either the infrastructure, the sophistication, or the planning to partake of the kind of economic advantage that can come out of that.

So I think what we need to do is to be working, through our existing contacts at the local level, through the network of EDRs and, through the regional offices. I think one of the great strengths of EDA is that we have that contact at the local level. We need to be working closely with the economic development practitioners. We need to be working closely with these communities and States to think strategically about the future and focus on growth and not accept what I think has been a paradigm historically, which is that certain communities are going to benefit and participate in the high growth sectors and others just aren't part of that.

I would challenge that thinking and I would hope that EDA, under my leadership, would challenge that thinking so that we can be as strategic as possible about defining growth opportunities for all parts of the economy and the country and taking advantage of them.

BUSINESS INCUBATOR ACTIVITY

Mr. MOLLOHAN. I note from your resume that you were involved in incubator activities.

Mr. GINSBERG. Yes, that is correct.

Mr. MOLLOHAN. This was in conjunction with technology resources at Yale University?

Mr. GINSBERG. Yes, absolutely.

Mr. MOLLOHAN. If we had Yale as a resource we would do that, too. As you know, many areas don't have that particular kind of resource. But they do have the same needs, I think that it is important for you to think about that.

I heard in your testimony that you are thinking about it in regards to the defense conversion areas. We must have to do that in our areas also.

Mr. GINSBERG. I couldn't agree more with that sentiment, Mr. Chairman.

Mr. MOLLOHAN. Mr. Rogers.

LOAN GUARANTEE PROGRAM

Mr. ROGERS. Let me give you a chance to clarify the footnote in your budget justifications that you and I discussed in my office the other day. As you know I raised this with the Secretary of Commerce. It is on page EDA-91, exhibit 13. I will try to paraphrase this footnote accurately. Please correct me if I don't. This is a statement in your justifications essentially states that the loan guarantee program is designed to fill a gap that existed between the loan programs of the SBA and the new Rural Development Administration of the Department of Agriculture. The footnote says that the SBA's 7(a) program guarantees loans up to \$750,000 and RDA's business and industrial guarantee program is limited to firms located in rural areas, i.e., towns less than 50,000. The footnote says, "EDA will guarantee financing for firms that need more than

\$750,000 and that are excluded from the RDA program because of their location”.

Now, I read that to mean that the loan program you propose would be targeted toward communities of more than 50,000 people and wanting more than \$750,000. Now, can you clarify your budget justifications for me?

Mr. GINSBERG. Let me clarify that. We would not, either as a matter of law or as a matter of policy, limit ourselves to communities of over 50,000 population, nor would we necessarily limit ourselves to loans of over \$750,000.

To my way of thinking, there are two primary motivations and justifications for an EDA loan guarantee program notwithstanding the existence of these other programs in other agencies. One, and I think fundamentally the most important one because it is the largest one, is that EDA would approach the issue of loan guarantees from an overall economic development perspective. We would be looking at a range of issues in any given situation, including the community's strategic economic development plan. Also the kinds of issues that Chairman Mollohan was talking about a moment ago, the issue of jobs created, jobs retained, economic diversification, all the broader economic development issues. This program is still in the design stage and we would obviously be developing guidelines for this as we go forward. We would take a comprehensive economic development view and decide whether a loan guarantee was a useful tool to implement a project as part of a comprehensive economic development view.

The other agencies that are involved in these activities, as I understand it, are focused exclusively on credit issues around the firm involved and an individual credit decision in terms of the firm involved.

So we start from very different perspectives in an effort to achieve different objectives, and that is one major distinction between what we would be doing under this program and what SBA and RDA would do.

The second point is that there are certain markets that neither the SBA program nor the RDA program meet and that is what this footnote addressed itself to, perhaps inartfully, and it is being reworked now. Secretary Brown indicated on Thursday that this footnote is addressed to say that there are certain gaps in the market that EDA could meet because of the flexibility built into an EDA program, i.e., more than \$750,000 or areas of more than 50,000 in population, but we would in no way be limited to areas that RDA or SBA could not meet. I think we can, even in smaller communities, for example, complement what the Department of Agriculture is doing because we will be, as I said, coming at this from a broad economic development perspective as opposed to RDA, which would take a narrow, no less important, but a narrower business financing—solely a business financing respect.

LOAN GUARANTEE PROGRAM TARGET AREA

Mr. ROGERS. Just looking at the targets of these loan guarantees that Chairman Mollohan and you discussed a moment ago, it strikes me that this is a program intended to go to urban areas.

Your budget justifications clearly indicated that this was the aim of the program. Maybe your justifications were inartfully crafted, or maybe your intention wasn't camouflaged enough. Now, maybe you are trying to camouflage it so that people like me don't get upset because it is an urban program. I am not saying the program is bad.

I am just saying you are leaving out a big segment of the country. Again, you are targeting toward urban areas and you are targeting toward defense impacted areas and you are going to extremely high tech and all that says to me, California.

Mr. GINSBERG. Well, I would just like to provide an assurance that if EDA were to get the budget authority to do this program. It would not be administered as an urban program. It wouldn't be targeted that way.

I obviously can't comment on whether this was an attempt to camouflage anything, and I trust it was not, but it is clearly my intention that we would not limit ourselves to areas, for example, that RDA does not serve and that we would attempt to make this program work for all EDA's constituencies.

PERFORMANCE MEASURES

Mr. ROGERS. Switching gears a minute now. Do you intend to change in any way the use of the performance measures to evaluate program effectiveness. As you know, when you make an application for an EDA grant now, you have got to include the number of jobs created or saved and the amount of funds leveraged from other sources and so forth.

It has often been hard for some of our projects to meet those standards, and some people believe they are not good performance measures anyway. Are you going to change in any way the use of performance measures to evaluate program effectiveness?

Mr. GINSBERG. I would like to take a comprehensive look at that issue and I have not yet had an opportunity to do that. I think that when you get into issues, as Chairman Mollohan was addressing a few moments ago about competitiveness and about the strategies of the local community, I think other factors enter into it, more than simply a numerical qualification of jobs retained, jobs created, and dollars leveraged.

I would like to take another look at performance measures, both criteria for EDA decision-making and then the measures by which we evaluate the decisions we have made, and I intend to do that in the coming year, but that is not something I have had an opportunity to get into yet.

Mr. ROGERS. I appreciate you are new on the job, but your budget justifications do state that you will be holding all programs to traditional EDA performance standards, including those that I mentioned.

Now, will that be true across the board for all EDA programs? Will all the programs be held to the same criteria?

Mr. GINSBERG. Excuse me one moment. I think we do, Congressman, have different performance measures for each of our programs, and unless changed, we would continue to adhere to the performance measures that are specified in the budget support materials.

My earlier comment was simply intended to address the fact that it would be my intention in the coming year to look at that issue and to perhaps rethink the issue of how we make funding decisions and also how we evaluate the funding decisions that we have made.

DEFENSE CONVERSION PERFORMANCE MEASURES

Mr. ROGERS. Well, I have to tell you that on page EDA-31 it states that you are going to exempt the defense conversion monies from using performance measures and justifications that other programs and applicants must meet. I want to know why the defense conversion projects don't have to meet the same kind of performance requirements that the rest of the programs must meet for a project to be funded by EDA.

Mr. GINSBERG. The Defense Conversion funds are either processed as sudden severe economic dislocation under Title IX or as public works under Title I. They have been primarily to date the former, that is to say, Title IX projects, and they have been held to the standards of a Title IX project. If they are processed as a Title I project, they are held to the standards of the Title I project.

That is the way we have dealt with that issue and that is how we will continue to do so.

Mr. ROGERS. But the sudden and severe are being held to certain requirements, the private sector ratio of Federal dollars, for example.

Mr. GINSBERG. Yes.

Mr. ROGERS. But the defense investment funds are exempted from all of those requirements that the rest of us have to meet, as I understand it.

Mr. GINSBERG. I will get a clarification of this, Congressman, but that has not been my understanding and if there is any additional information or clarification we can provide, we will of course do that. But that has not been my understanding.

My understanding is, as I said, if defense conversion funds are spent as a Title IX project, then they are held to the standards of Title IX and the same would be true for Title I. Most of them, as I said, have been processed as Title IX projects to date.

Mr. ROGERS. Well, it is unclear from reading your justifications.

Mr. GINSBERG. We will certainly clarify that for you.

[The information follows:]

DEFENSE CONVERSION PERFORMANCE MEASURES

Until this fiscal year, all defense conversion projects were funded through the Title IX Economic Adjustment program and subjected to its eligibility and project selection criteria. However, as the FY 1994 appropriation language permits funding for defense conversion through any of the program titles, generic defense project selection criteria have been developed. These criteria are in addition to, not a substitute for, the criteria governing project selection under the individual program titles. A defense conversion project submitted for funding under Title IX must still meet the Title IX criteria. Similarly a construction project submitted for funding under Title I must meet the project selection criteria for that program.

EDA is in the process of developing performance measures for the Defense Conversion program. We anticipate, as stated in the Budget submission on EDA-31 and EDA-32 and more extensively on EDA-73 and EDA-74, that these measures will differ from the traditional measures currently applied to EDA's other programs. EDA's intent is to develop performance measures reflective of the fact that restructuring the economies of defense-impacted communities will be a long-term process. EDA's investments will facilitate this process but will not necessarily, in and of themselves, produce the types of results that can be evaluated using traditional performance measures.

Mr. ROGERS. So you are showing us here that the defense conversion projects will be held to the same criteria that the rest of us do in justifying a grant or loan?

Mr. GINSBERG. Yes. Whether they would be viewed as a Title IX project or a Title I project depends on the particular circumstances, but that is my understanding, and if that in any way needs elaboration or that is not correct, we will communicate that to you absolutely.

SUPPORT FOR EDA

Mr. ROGERS. Well, I will have some other questions. I can submit them for the record, Mr. Chairman. I want to thank the new Director for being with us here today. Mr. Secretary, we wish you well in your job.

It is a good job and you have got a good staff with you. Although we may put you on the hot seat here at times, I think you will find we are a supportive subcommittee.

We do have definite ideas of course, as you probably suspected, as do our colleagues over in the other body. From time to time we will find things to differ with you on, but for the most part we will agree with you.

Mr. GINSBERG. I appreciate that and I know how supportive this subcommittee and the Appropriations Committee have been to EDA through some very difficult years, and we are very appreciative of that, and I look forward to working with the subcommittee very much.

Mr. ROGERS. I think you have sensed on the subcommittee, and we are not all here, but you have sensed a certain fear that the EDA is being taken over by those who want to put much more emphasis on the urban areas, the high-tech areas and the defense impacted communities.

While we all are interested in that, we don't want to see EDA's traditional mission agency suffer. I yield back.

GRANT PROCESSING

Mr. MOLLOHAN. Thank you, Mr. Rogers. Mr. Ginsberg, just a few brief questions about a couple more issues. First of all, I would like to discuss with you the time it takes to process EDA grant applications. We talked about this issue during Secretary Brown's hearing.

Let me approach it in this manner. You have requested a reduction in FTEs of 18, which we discussed earlier.

I can remember calling the EDA office in West Virginia to express some concern about the long period of time it was taking to process some grant applications.

There is one particular grant application which comes to mind. I am not sure yet whether it has been approved not. I believe it has been approved, but the money hasn't been released yet.

Nevertheless, it was at least a 13-month process, which is just too long. I have asked questions about this issue in the past. I understand that you are new, but have you sensed that there is a problem here? I think it would be an area that where you could bring efficiency to the agency.

Have any of the Vice President's National Performance Review recommendations related to expediting grant applications and doing business in a more efficient manner at EDA?

Mr. GINSBERG. The specific recommendations that impacted EDA did not go to this issue. But in the broader sense, Mr. Chairman, I read the Reinventing Government report to suggest that there were many benefits, including efficiency, in empowering one staff and eliminating excessive layers of oversight. Obviously, consistent with principles of good management and protecting public resources, the government would operate more efficiently, and it would be more rewarding for taxpayers, customers and for employees if that could happen.

I think that EDA is a good example of that. I think the issue of grant processing time is part of the problem. I want to say this is a very serious issue at EDA. I think our ability to seize the opportunities which exist for us in terms of expanding the scope of the agency and our activities as part of this administration will to a significant degree be determined by the degree to which we show ourselves to be an effective agency.

It is a very high priority of mine as a result.

I should also say that prior to coming to EDA, I have been a grant recipient, both as a city official and running a not-for-profit. I have been a customer of EDA, so I can appreciate this issue from that perspective as well.

Mr. MOLLOHAN. Have you had that experience when you were a customer of EDA?

Mr. GINSBERG. We had a good relationship with the Philadelphia regional office, but certainly things went slowly.

Mr. MOLLOHAN. Did you have any grants that took as much as 13 months to approve?

Mr. GINSBERG. Not as much as 13 months.

Mr. MOLLOHAN. That is interesting. Why would they be processing more quickly for Connecticut than for West Virginia?

Mr. GINSBERG. I trust that is not an issue of one State versus another. It relates to specifics in the grant itself.

Mr. MOLLOHAN. A one-year process is not unheard of in West Virginia.

Mr. GINSBERG. Well, it is too long, there is no question. It is certainly something that we are looking into.

Mr. MOLLOHAN. Having said all this, I want you to know that I like EDA. The EDA personnel we work with are extremely professional and seem to be forthcoming in terms of wanting to help get the applications through the process. Further, they try to help you distinguish good applications. All of that is very positive.

In terms of the professionalism at every level—really at every level—whether it is the local level or the regional office or here in Washington, I am impressed with the professionalism.

I really compliment the whole agency on that. But then there is this slow burn in processing applications which is hard to reconcile with my otherwise good impression of the agency. Because we are struggling economically in so many different ways, there is a real impatience with this issue in my State.

TRADE ADJUSTMENT ASSISTANCE

If it were done in four months, there would still be impatience I am sure, but that impatience would not be justified. When it gets past a year—well, I don't want to drag this hearing out for 13 months on this issue—I'd like to turn to the Trade Adjustment Assistance program because I do want to get something on the record here about that.

The Trade Adjustment Assistance program has been extremely important to us. The Mid-Atlantic Trade Adjustment Assistance Center has been helpful to a number of injured firms in my District. The firms are very concerned about this program being diminished or terminated. What was your rationale for terminating TAA and how will the services currently provided by TAA be made up otherwise?

Mr. GINSBERG. The reasoning has been that there are potentially other programs within Commerce and outside as well that could pick up this function of management and technical assistance for trade-impacted firms, specifically Manufacturing Technology Centers in the National Institute of Standards and Technology at Commerce, potentially EDA's own University Centers, which we will be taking another look at in fiscal year 1994 in terms of evaluating that program, as well as possibly the SBDC program in the Small Business Administration.

So this was the budget judgment reflected in the request before you, Mr. Chairman, and it was not based on a feeling that this was an ineffective program. It was based rather on a budget judgment of priorities and a feeling that there could be other programs that would pick up this function, particularly if designed to do so. That is the justification.

Mr. MOLLOHAN. Okay, one final attempt at sensitizing you to all of the concern about EDA's shifting. I think it is a lot more than perception. It is about the way dollars flow. I offer this in the form of a compliment to EDA, because you represent an agency that has stood behind economically distressed areas, and they depend on your service.

These areas, the traditionally economically distressed areas, are the ones under the most pressure from trade competition, fair competition, unfair competition—all competition.

So it is another setback for EDA to back off from our issues. It is like pulling another rug, if you will, out from under traditional economic areas and the economic problems they are having.

So I really invite you to reassess these issues and to look at how all these new initiatives are being perceived from the traditional areas perspective.

They are areas that have been struggling for a long time and who have depended upon EDA. So in a sense, this expression of concern, as I said, is really a compliment to the agency. You have traditionally meant so much to us and we don't like to see you courting another person, so to speak.

Mr. GINSBERG. Allow me to assure you that I will take another look at this issue.

Mr. MOLLOHAN. I think it is real.

Mr. GINSBERG. And this hearing certainly has sensitized me further to those issues.

Mr. MOLLOHAN. Thank you, very much.

Mr. GINSBERG. Thank you.

[The following questions were submitted to be answered for the record:]

Questions Submitted By Congressman Smith

Status of Supplemental Funding

QUESTION:

In the recent emergency supplemental for the Los Angeles earthquake, funds were appropriated for a contingency fund to be used at the discretion of the President. When do you expect to be notified of the distribution? How much of the \$550 million do you anticipate will be targeted to EDA programs?

ANSWER:

On March 18, 1994, the President approved the transfer of \$8 million of his \$550 million discretionary fund to EDA for Economic recovery planning assistance and minority business assistance for the Los Angeles earthquake. An additional \$18 million was provided to EDA from the contingency fund for Northeast Fisheries assistance.

QUESTION:

What was your request to OMB for this emergency supplemental, and on what criteria was your funding estimate based?

ANSWER:

EDA requested \$260 million in emergency supplemental needs for the Los Angeles earthquake; as of April 11, 1994, this request was still under review. The estimate for earthquake funds was based on EDA's recent experience in disaster recovery, primarily in Florida resulting from the damage caused by Hurricane Andrew in August 1992. A correlation between the types of assistance appropriate for the two disasters, i.e. public works, revolving loan funds, recovery strategy assistance and technical assistance, is expected with a heavier emphasis placed on the cost of damaged public infrastructure associated with the earthquake. The \$54 million EDA committed in Florida was analyzed by project type and then extrapolated to reflect the larger and more densely populated earthquake affected area of California.

QUESTION:

What is the status of the emergency funding provided for EDA in last year's Mid-West flood supplemental? How much has been distributed to date, and when do you anticipate the remainder of the funds being distributed?

ANSWER:

As of March 31, 1994, EDA had invited applications amounting to \$131.0 million. Of these, \$8.4 million have been obligated. Additionally, EDA has set aside \$18 million to be used to fund levee repairs. Out of 124 proposals received for levees, 47 projects amounting to \$18.2 million have been selected for further consideration.

To date, project activity amounting to over \$200 million have been identified. EDA estimates that \$75.0 million will be awarded by June 30, 1994; another \$75 million will be awarded by September 30, 1994; and the balance will be awarded by December 31, 1994.

QUESTION:

Is the \$200 million provided for the Mid-West flood supplemental sufficient to accommodate the requests for EDA funding for that purpose?

ANSWER:

Given the emergency nature of the projects that are given priority consideration, we expect the \$200 million to be sufficient to accommodate all meritorious requests for EDA assistance.

Shift in Programmatic Emphasis

QUESTION:

The FY 1995 budget request includes more funding for Defense conversion (\$140 million) than is requested for the traditional Public Works program under EDA (\$130.9 million). Does this request reflect a shift in programmatic emphasis for the Economic Development Administration?

ANSWER:

The emphasis for the Economic Development Administration continues to be providing economic development assistance to economically-distressed communities across the Nation. Defense conversion is only one element of our programs--amounting to 34 percent of our total budget request. EDA funds technical assistance, planning, revolving loan funds, business development, and infrastructure enhancement and repair from its defense conversion appropriations consistent with its mission and with Title IX of PWEDA. Our goal is to continue our tradition of making public works grants to the communities facing the greatest economic distress.

QUESTION:

Do you anticipate further increases in the defense conversion activity in subsequent years? At what rate do you anticipate the program will increase?

ANSWER:

The \$140 million being requested for defense conversion activities in FY 1995 will enable EDA to respond to the increased pace of base closure activities in 1995 resulting from the 1988, 1991, and 1993 base closure rounds. Additionally, EDA will be assisting communities adversely impacted by defense contract reductions and cancellations and reductions at Department of Energy facilities. Because the next scheduled round of base closures (BRAC '95) is widely anticipated to be more severe than any previous round, EDA is expecting that the pace of defense adjustment activity will be sustained at a substantial level for several years. EDA's funding needs for defense conversion are based on the rate of base closures and contract reductions. EDA's defense conversion estimates will reflect any changes in these estimates.

Defense Conversion Assistance

QUESTION:

You are requesting a total of \$140 million for economic assistance grants to assist communities impacted by Department of Defense base closures and procurement reductions, an increase of \$60 million above the amounts provided for FY 1994. What is the status of the funding provided for FY 1994? Please provide for the record a state breakout of the defense conversion fund provided to date.

ANSWER:

Project activity has been developed to fully exhaust the \$80 million appropriated to EDA for FY 1994. These funds will be obligated by the end of the fiscal year. A state breakout of the defense conversion fund provided to date is as follows (amounts include funds obligated from DOD transfers):

EDA DEFENSE ADJUSTMENT ASSISTANCE
Cumulative Obligations
As of March 31, 1994
(in thousands of dollars)

| <u>State</u> | <u>Obligations</u> |
|--------------|--------------------|
| AZ | \$587 |
| AR | 3,126 |
| CA | 25,950 |
| CO | 225 |
| CT | 3,113 |
| IL | 2,500 |
| IN | 233 |
| LA | 2,079 |
| ME | 1,840 |
| MD | 1,184 |
| MA | 2,825 |
| MO | 6,700 |
| MS | 1,500 |
| MT | 320 |
| NH | 3,225 |
| NY | 6,655 |
| ND | 1,275 |
| PA | 5,450 |
| RI | 3,500 |
| SC | 2,250 |
| SD | 75 |
| TX | 4,334 |
| VA | 3,300 |
| WA | 387 |
| WV | <u>27</u> |
| TOTAL | 82,660 |

QUESTION:

What is the status of the funding provided under the Defense Department's appropriation in prior fiscal years? Are funds being used strictly for planning purposes, or are any of the funds used for the purpose of infrastructure development projects?

ANSWER:

It is projected that the \$130 million received from DoD in FY 1992 and FY 1993 (\$50 million and \$80 million, respectively) will be fully obligated by September 30, 1994. EDA has used these funds to support strategic implementation activities that include technical assistance, revolving loan funds, and infrastructure improvements. Approximately 67 percent of the cumulative defense adjustment funds obligated to date have been used for the construction of public improvements and infrastructure related to base reuse or economic adjustment of defense impacted communities.

QUESTION:

Will all of the defense conversion funding be used to provide assistance to communities, or will some of the funding be targeted to specific businesses?

ANSWER:

Consistent with EDA policies and regulations, all defense economic adjustment assistance is provided through grants to communities, i.e., to public sector entities, states and local governments, and non-profit development organizations of various types. EDA cannot award grants to specific businesses.

QUESTION:

Does the pending EDA reauthorization bill address the issue of defense conversion? What specifically is authorized for defense conversion in FY 1995 in that legislation?

ANSWER:

A Departmental legislative proposal submitted on February 2, 1994 to Chairman Norm Mineta, House Public Works and Transportation Committee, and Chairman Bob Wise, House Subcommittee on Economic Development, provides comments and a revised set of recommendations on H. R. 2442, the Economic Development Administration Act of 1993. Under Title VII of the legislative proposal, the following two recommendations relate to defense conversion.

- Amend redesignated section 507 (former section 708) by inserting a new subsection (d) which permits the Secretary to use up to 5 percent of transferred funds to defray the cost of program administration. This subsection is necessary because the transfer of funds from the Department of Defense during 1992 and 1993 provided for this authority only on a "piecemeal" basis.
- Amend Title V by adding at the end thereof a new Section 516 which would provide the Secretary with additional authority to provide timely assistance to communities affected by military base closures or realignments. Section 516 proposes allowing assistance without grantees having title or a lease for defense-owned property, for the useful life of the project in those instances where the Secretary determines that financial assistance is necessary to the economic development of the area.

QUESTION:

What is the criteria used to evaluate grant applications for defense conversion funding and how does that criteria

differ from the criteria used to evaluate Public Works applications? Will the economic development representatives be evaluating both types of proposals?

ANSWER:

In considering applications for defense adjustment funding, priority is given to projects which (i) assist in the conversion of military facilities or former military facilities to non-military use, (ii) assist in the conversion of defense-dependent businesses toward non-defense economic activity and (iii) assist in the creation of jobs for workers formerly employed in military installations or by military contractors. For Title I, Public Works funding, priority is given to projects that (i) improve opportunities for the successful establishment or expansion of industrial or commercial plants or facilities, (ii) assist in creating or retaining private sector jobs in the near-terms, as well as additional long-term employment, provided that the jobs are not transferred from other areas and will result in a low cost-per-job in relation to EDA cost, (iii) benefit the long-term unemployed and members of low-income families residing in the area served by the project, (iv) fulfill a pressing need of the area and can be started and completed in a timely manner, and (v) demonstrate adequate local funding support, with evidence that such support is firmly committed and available. EDA's Economic Development Representatives and regional staff evaluate applications for both programs.

QUESTION:

Does the grant application process for defense conversion funding differ from the process used to award other EDA program grants? What is the average processing time for defense conversion grants, and how does that compare to other EDA grant programs?

ANSWER:

The grant application process for defense conversion funding does not differ in any significant way from those used for other EDA program grants. Processing time, measured from EDA's receipt of an application to award of grant for defense adjustment assistance grants approved in FY 1994 to date averages 8.2 months with a median processing time of 6.5 months. For Public Works grants approved in FY 1994 to date, the average processing time is 9.7 months.

Economic Development Guaranteed Loans

QUESTION:

You are requesting subsidy funds for an economic development guaranteed loan program in FY 1995 to support \$269 million in new capital. What is the subsidy rate of this loan program, and on what estimate is that subsidy rate based?

ANSWER:

The subsidy rate for this program is 18.06 percent. The level of guarantee authority was determined in accordance with the requirements of the Credit Reform Act of 1990. Since the previous EDA loan guarantee program was essentially dormant in the 1980s and early 1990s, EDA's historical subsidy rate did not provide a valid basis for estimating the proposed program's subsidy rate. Consequently, EDA assumed a conservative subsidy rate, based on the following technical assumptions:

- Loan guarantees will be fully disbursed in the year of commitment and have an average life of 15 years.
- Of those loans that default/result in a loss, half of the losses will take place in year three and half will occur in year four.
- Of the total loans approved, 22 percent will fail; but the actual loss to the government will be 50 percent of the outstanding balance at the time of failure. Through liquidation, EDA will recover 50 percent of the value of the guarantee at the time of failure, and do so in the second year after failure.

QUESTION:

How does this subsidy rate compare to that of other similar loan guarantee programs, and what is the reason for the difference?

ANSWER:

The subsidy rate is higher than for most other business loan guarantee programs. However, as an economic development tool, the EDA loan guarantee program would support business investment in activities central to the future economic base of distressed rural and urban communities. The subsidy estimate could be significantly reduced in future years, once EDA has an actual project track record upon which to base it. A higher subsidy provides a greater degree of flexibility in funding projects. EDA would fund projects only if the risk was due to the changing nature of the product or industry---such as

commercializing new technology, the location of the project, or the term/length of the loan. EDA would not fund projects deemed risky because of their actual financial condition.

QUESTION:

Your statement indicates that this loan program will provide assistance to "innovative, high growth" companies? What specifically is the definition of "innovative, high growth" companies?

ANSWER:

EDA would make every effort through its proposed loan guarantee program to foster the development of firms successfully competing in the international marketplace, particularly ones converting to state-of-the-market technology or commercializing new technologies. In addition, EDA would work as a partner with the local community in developing an overall economic development strategy, and through that process in identifying--with the local business and lending communities--appropriate funding targets. Since the needs, capabilities and resources of distressed communities vary significantly, the particular companies will differ as well.

QUESTION:

To what extent was this loan program proposal coordinated with other Federal loan guaranty agencies? How will you assure that there is no overlap with other agencies such as SBA?

ANSWER:

Yes, extensive discussions were held with SBA and FmHA. EDA has researched this program and participated in interagency meetings on this subject. In proposing the parameters of this program, EDA has crafted a program that complements, but does not compete with other Federal loan guarantee programs for business financing. Creating, upgrading, or saving jobs through business loans is economic development no matter who finances them. Other loan programs focus on individual firms, regardless of economic distress. EDA's loan guarantee program would be an integral part of a targeted economic development strategy. EDA will complement RDA's Business and Industrial guarantee program for firms located in rural areas, or communities of 50,000 people or less. EDA will guarantee financing for firms that need more than \$750,000 and that are excluded from the SBA program because the loan amount exceeds SBA's loan limits. EDA estimates that the average EDA loan guarantee will be about \$2 million, which significantly exceeds both the maximum SBA limit of \$750,000, and the average SBA guarantee of about \$200,000.

Office of Economic Conversion Information

QUESTION:

You are requesting resources in FY 1995 under the salaries and expenses account to "permanently" fund and expand the Office of Economic Conversion Information (OECI). What is the specific purpose of this office and the level of resources being devoted to OECI in FY 1994?

ANSWER:

The OECI was established in November 1993 as a clearinghouse of information needed to anticipate, plan for, and respond to defense downsizing and other economic dislocations. Its mission is to provide a convenient way for communities, businesses and individuals to access timely information about economic conversion programs and opportunities. The clearinghouse includes: general background references; points of contact at the federal, state and local levels; economic and defense statistical data; information sources, case studies and strategies; adjustment program descriptions; and, technology development, application and transfer opportunities.

In FY 1994, the OECI budget is \$1.5 million. This amount includes a temporary reallocation of \$700 thousand from within EDA and a one-time transfer of \$800 thousand from DOD. Permanent funding for the continuation and expansion of OECI is required in FY 1995.

QUESTION:

Why is it necessary to establish a separate office for providing information on defense conversion programs? Are the existing assisting delivery mechanisms of EDA (EDRs, University centers, etc.) not equipped to provide information on defense conversion?

ANSWER:

Post-Cold War defense procurement cuts and successive rounds of military base closures are causing substantial economic hardship nationwide, affecting communities, businesses and workers, civilian and military. Federal resources for economic adjustment and conversion assistance to help in the transition to civilian activities are spread out among a large number of Federal departments and agencies, and state and local governments. To address this problem, EDA established the OECI to serve as a clearinghouse on these economic adjustment programs, a "one-stop information shop."

This clearinghouse complements and enhances the conversion activities of existing agencies and programs. It will not duplicate these efforts, but coordinates with them in

establishing a more comprehensive, "user-friendly," publicly accessible information system encompassing all conversion-related programs, from job training to technology development. In addition, the clearinghouse provides a more extensive set of information databases and provides a larger number of "user-friendly" services then currently exist in individual agencies and programs.

The dissemination system consists of a central data base of defense and economic adjustment information accessible by direct dial, via INTERNET, from "1-800" operators within EDA, CD-Roms produced quarterly (available at Federal Depository Libraries or for purchase) and through an automated FAX system. These various sources of information enhance the EDA's existing delivery mechanisms and provide EDA's customers with additional sources of information.

QUESTION:

What is the level of staff assigned to this office in FY 1994, and from what programs were these staff reassigned? Where are these personnel located? Where will the 11 positions requested for FY 1995 be located -- at headquarters or in Regional offices?

ANSWER:

In FY 1994 the OECI is being staffed by a combination of federal and contract employees. The staff includes fourteen operators with supervisors (in two daily shifts) and five professional and support personnel. The operators and shift supervisors are provided through an 8-A contractor, and the professional and support personnel are newly recruited federal employees. The OECI office and personnel are located in EDA's Washington offices.

QUESTION:

How is the information that is collected and managed by the office distributed? Are any of the funds requested in FY 1995 for computer and telecommunications equipment related to on-line distribution of that information?

ANSWER:

The OECI dissemination system consists of a central data base of defense and economic adjustment information accessible through a computer bulletin board by direct dial via an 1-800 number, via INTERNET, from "1-800" operators within EDA, CD-ROM produced quarterly (available at Federal Depository Libraries or for purchase) and through an automated FAX system.

For those wishing to access the clearinghouse via 1-800 operators, the OECI is open from 8:00 am to 8:00 pm EST. It is accessible to the deaf and hearing impaired via TDD

and to Spanish speaking customers with the assistance of bilingual operators. Computer users may access the data base on a 24-hour basis, as may the automated FAX users.

The funds requested in FY 1995 will be used principally to update and expand the information base, enhance dissemination systems, and facilitate communication and information sharing among and between customer groups. Resources will also be allocated to salaries and expenses, including technology enhancements and communication costs.

QUESTION:

What would be the impact of not receiving this requested increase of 11 positions and \$2.3 million?

ANSWER:

If EDA does not receive the \$2.3 million requested for OECE, it would result in the complete elimination of the office and the currently existing five federal positions whose technical skills eliminate them from reassignment into one of the economic development programs.

Trade Adjustment Assistance Termination

QUESTION:

You are again proposing to eliminate funding for the Trade Adjustment Assistance Center (TAAC) Program which provides assistance to firms and industries adversely impacted by imports. This program was reauthorized by the budget reconciliation act last year. Doesn't EDA now have a statutory mandate to continue to carry out trade adjustment assistance?

ANSWER:

The Department of Commerce and EDA have statutory authority to carry out a Trade Adjustment Assistance Program. However, Agency resources will be allocated to business assistance programs that serve a wider spectrum of firms rather than the limited group of manufacturers directly impacted by imports.

QUESTION:

I understand that EDA has a backlog of firms applying for eligibility for trade adjustment technical assistance. What is the status of that backlog? How do you propose to assist those firms that continue to apply for this assistance?

ANSWER:

EDA does not have a backlog of firms applying for eligibility to participate in the program. What might be considered a backlog are those technical assistance tasks identified in accepted adjustment proposals. We will continue to utilize resources available to the program to provide the technical assistance needed using professional staff at the TAACs and through the use of experts under contracts issued by the TAACs.

QUESTION:

You currently have 15 positions at EDA devoted to trade adjustment assistance. How many of those positions are currently filled? Should your request be approved, these positions would be eliminated. What would happen to these employees under your proposal?

ANSWER:

The thirteen (13) employees currently assigned to the Trade Adjustment Assistance program will be re-assigned, within EDA, to positions where each one's training, experience, and skills can be utilized to the maximum.

Research, Evaluation and Demonstration Program

QUESTION:

EDA received \$500,000 in FY 1994 for the Research, Evaluation, and Demonstration program. Have these funds been distributed yet? Please provide for the record a description of the types of projects you will fund under this program and the recipients of the funding.

ANSWER:

Funds for FY 1994 have not been distributed yet pending publication of EDA's program announcement in the Federal Register. EDA is particularly interested in receiving proposals dealing with productivity and technology, industrial competitiveness, minority business and minority jobs, job creation methods and state and local economic development efforts. Eligible applicants include private individuals, partnerships, corporations, associations, colleges and universities.

QUESTION:

You are asking to continue this \$500,000 in FY 1995. Will any of these funds be used for continuations of the projects funded in FY 1994?

ANSWER:

Funds for this program are obligated annually on a project-by-project basis. None of these funds will be used for continuations of the projects funded in FY 1994.

QUESTION:

Have any of the Defense Conversion funds provided in FY 1994 been used for research projects? Please provide details for the record.

ANSWER:

None of the FY 1994 Defense Conversion funds have been used for research projects.

Streamlining Grant Application Process

QUESTION:

What is the status of EDA's efforts to streamline the grant application process as highlighted in your testimony last year?

ANSWER:

In September of 1993, the agency initiated a pilot grant application process (Pilot). This Pilot involves nine Title IX Defense Conversion projects for which a revised application process (team oriented) and revised application forms have been used. The goal is to reduce application processing time, improve customer satisfaction, assure product quality and assure organizational accountability. To date, six of the nine projects have been approved.

The Pilot will be evaluated for its elimination of duplication of tasks, success in redefining regional staff roles along generalist and specialist lines, and reduction in processing time as a result of decentralization of authority. Overall success of the reformed application process will be measured by the substantial reduction in processing time while maintaining EDA accountability and responsiveness.

It is anticipated that the evaluation process will continue through the early part of 1994. Departmental and OMB clearance of the reengineered process, as well as the publication of revised guidelines and staff training in new procedures, will be completed to allow for full implementation of the reengineered process in FY 1995.

QUESTION:

Have you achieved any noticeable efficiencies in the grant process this year? What is included in your FY 1995 budget request to address this issue?

ANSWER:

During the first six months of Fiscal Year 1994, EDA will have conducted four special initiatives: (1) the pilot program of nine defense adjustment projects which defined regional and national roles; (2) the Midwest Floods of 1993; (3) the Northwest Timber initiative, and (4) the Northeast Fisheries initiative. The pilot program has resulted in projects being processed in as little as three months which is significantly less than the average Title IX processing time of over 8 months. In its FY 1995 budget, EDA is requesting \$340 thousand in program evaluation funding.

ADP Upgrade

QUESTION:

Last year EDA requested funding for ADP mainframe conversion and software enhancements. What is the status of that proposal, and what is requested in FY 1995 to continue the program?

ANSWER:

The FY 1994 Congressional Request for "Salaries and expenses" (S&E) was \$30,151,000, an increase of \$3,000,000 over the FY 1994 Base. Of the requested increase, \$1,750,000 was to have been used for ADP mainframe conversion and software enhancements. However, the FY 1994 enacted S&E appropriation was only \$28,000,000, thus negating the Agency's ability to undertake this initiative.

In FY 1995, EDA is requesting \$1,741,000 for ADP mainframe conversion and software enhancements. In the interim, EDA is utilizing available resources in preparation for conversion activity. This process is being accelerated as the computer currently being used is scheduled to go off-line at the end of FY 1995.

University Centers

QUESTION:

What is the status of the awarding of fiscal year 1994 funds for University Centers? Will any new Centers receive funds in FY 1994? Will any of the University Center funded in FY 1993 not receive funding this year?

ANSWER:

EDA intends to extend the grants of 56 University Centers through September 30, 1994. The remaining 8 University Centers already have a September 30, 1994, expiration date. As of March 31, 1994, EDA had obligated University Center funds totalling \$710,525. An additional \$1.1 million will be required to complete the extensions.

At this time EDA has not made any final decisions regarding the use of the remaining FY 1994 or the FY 1995 program funds. It is not known at this time whether any new University Centers will be funded in FY 1994.

QUESTION:

Are you planning any changes in the University Center program for FY 1995?

ANSWER:

EDA has not made any final decisions regarding the FY 1995 University Center program at this time.

QUESTION:

What level of resources is each University Center receiving in FY 1994? How will that change in FY 1995?

ANSWER:

Listed below are the names and amounts for FY 1994 extensions; no final decisions on individual FY 1995 grant levels have been made at this time.

| | <u>Grant thru</u>
<u>9/30/94</u> | <u>Grant</u>
<u>Expires</u> |
|------------------------------|-------------------------------------|--------------------------------|
| Philadelphia Regional Office | | |
| Univ. of New Hampshire | \$76,815 | 12/31/93 |
| Rutgers, the State Univ. | \$76,815 | 12/31/93 |
| VA Polytechnic Institute | \$91,512 | 12/31/93 |
| Morgan State University | \$91,512 | 12/31/93 |
| State Univ. of New York | \$59,745 | 2/28/94 |
| Univ. of Southern Maine | \$51,210 | 3/31/94 |
| Pennsylvania State Univ. | \$61,008 | 3/31/94 |
| Univ. of Massachusetts | \$25,605 | 6/30/94 |
| Marshall University | \$20,336 | 7/31/94 |
| Hampton University | \$10,168 | 8/31/94 |
| Cornell University | \$10,168 | 8/31/94 |
| Univ. of Puerto Rico | \$10,168 | 8/31/94 |
| WVA Inst. of Technology | <u>0</u> | 9/30/94 |
| Total | \$585,062 | |

| | <u>Grant thru</u>
<u>9/30/94</u> | <u>Grant</u>
<u>Expires</u> |
|--------------------------------|-------------------------------------|--------------------------------|
| Atlanta Regional Office | | |
| Benedict College | \$76,260 | 2/15/94 |
| Auburn University | \$59,745 | 2/28/94 |
| Florida State University | \$51,210 | 3/31/94 |
| Western Carolina Univ. | \$42,675 | 4/30/94 |
| Memphis State University | \$34,140 | 5/31/94 |
| Clark-Atlanta University | \$17,070 | 7/31/94 |
| Georgia Inst. of Technology | \$8,535 | 8/31/94 |
| Florida A&M University | \$10,168 | 8/31/94 |
| MS Valley State Univ. | \$10,168 | 8/31/94 |
| Eastern Kentucky University | \$10,168 | 8/31/94 |
| Mississippi State Univ. | \$10,168 | 8/31/94 |
| Univ. of Southern MS | \$5,084 | 9/14/94 |
| Western Kentucky University | 0 | 9/30/94 |
| University of Alabama | 0 | 9/30/94 |
| Total | <u>\$335,391</u> | |
| Denver Regional Office | | |
| University of Missouri | \$51,210 | 3/31/94 |
| Iowa State University | \$51,210 | 3/31/94 |
| University of Colorado | \$26,829 | 6/30/94 |
| North Dakota State Univ. | \$17,886 | 7/31/94 |
| Montana State University | \$10,168 | 8/31/94 |
| South Dakota State Univ. | \$10,168 | 8/31/94 |
| University of Kansas | \$10,168 | 8/31/94 |
| University of Nebraska | <u>\$10,168</u> | 8/31/94 |
| Total | <u>\$187,807</u> | |
| Chicago Regional Office | | |
| St. Cloud State Univ. | \$91,512 | 12/31/93 |
| University of Michigan | \$61,008 | 3/31/94 |
| Univ. of Wisconsin-Stout | \$50,840 | 4/30/94 |
| Michigan State Univ. | \$20,336 | 7/31/94 |
| Cleveland State Univ. | \$10,168 | 8/31/94 |
| University of Illinois | \$10,168 | 8/31/94 |
| Univ. of Wisconsin-Madison | 0 | 9/30/94 |
| Indiana University | 0 | 9/30/94 |
| Western Illinois University | <u>0</u> | 9/30/94 |
| Total | <u>\$244,032</u> | |
| Seattle Regional Office | | |
| University of Hawaii | \$119,808 | 3/31/94 |
| Washington State Univ. | \$61,008 | 3/31/94 |
| Boise State University | \$30,504 | 6/30/94 |
| Univ. of Southern CA | \$30,504 | 6/30/94 |
| State Center CC District | \$10,168 | 8/31/94 |
| University of Arizona | \$10,168 | 8/31/94 |
| Eastern Oregon State Col. | \$10,168 | 8/31/94 |
| CA State University-Chico | \$10,168 | 8/31/94 |
| University of Alaska | \$10,168 | 8/31/94 |
| University of Nevada | <u>0</u> | 9/30/94 |
| Total | <u>\$292,664</u> | |

| | <u>Grant thru</u>
<u>9/30/94</u> | <u>Grant</u>
<u>Expires</u> |
|---------------------------|-------------------------------------|--------------------------------|
| Austin Regional Office | | |
| Texas A&M University | \$91,512 | 12/31/93 |
| University of NM | \$34,140 | 5/31/94 |
| Univ. of TX-San Antonio | \$17,886 | 7/31/94 |
| Univ. of TX-Permian Basin | \$10,168 | 8/31/94 |
| NM State University | \$10,168 | 8/31/94 |
| Xavier University | \$10,168 | 8/31/94 |
| Arkansas State Univ. | \$10,168 | 8/31/94 |
| Univ. of New Orleans | \$8,535 | 8/31/94 |
| University of Oklahoma | <u>0</u> | 9/30/94 |
| Total | \$192,745 | |
| National Office | | |
| National Tech. Univ. | <u>\$10,168</u> | 8/31/94 |
| GRAND TOTAL | \$1,847,869 | |

Economic Development Revolving Fund

QUESTION:

The Committee has rescinded funds from the Economic Development Revolving Fund for the past several years. What has been the impact of these reductions?

ANSWER:

The funds in the Revolving Fund are used to cover the costs of protecting collateral and guaranteed loan defaults. The Agency has several properties which are contaminated with hazardous material. The anticipated costs associated with remediation of those sites are significant and indeterminable. EDA currently estimates that more than \$120 million will be required for the four sites. The current balance in the Fund indicates that the funding should be adequate to handle this anticipated cost of cleanup. Further dissipation of the fund could render the Agency unable to complete these remediations and return the sites to productive use.

QUESTION:

What is the contingent liability for outstanding EDA loan guarantees, and what are the unobligated balances expected to be in the Fund at the end of FY 1994? In FY 1995?

ANSWER:

The contingent liability for outstanding EDA loan guarantees as of March 31, 1994 is \$22.4 million. The unobligated balances in the Fund are estimated at \$167.1 million at the end of FY 1994 and \$172.1 million at the end of FY 1995.

Request to OMB

QUESTION:

What was your initial request to the Department for all EDA accounts, what was the Department's request to OMB, and what items were eliminated from those requests? What will be the impact of those eliminations on the ongoing programs of EDA?

ANSWER:

The following table provides a comparison of EDA's request to the Department, OMB and Congress.

DEPARTMENT OF COMMERCE
Economic Development Administration
FY 1995 Request to the Secretary, OMB and Congress
(Dollars in thousands)

| Accounts | 1995
Secretarial
Request | | 1995
OMB
Request | | 1995
Congressional | |
|----------------------------------|--------------------------------|----------|------------------------|----------|-----------------------|----------|
| | Pos. | Amount | Pos. | Request | Pos. | Request |
| Salaries and Expenses | 381 | \$32,766 | 375 | \$33,723 | 358 | \$32,647 |
| Economic Dev. Guaranteed Loans | 0 | 0 | 0 | 0 | 14 | 51,976 |
| Economic Develop. Asst. Programs | 0 | 649,203 | 0 | 396,540 | 0 | 327,024 |
| TOTAL, EDA Budget Authority | 381 | 681,969 | 375 | 430,263 | 372 | 411,647 |
| Loan Guarantee Authority | 0 | 0 | 0 | 0 | 0 | 269,000 |
| TOTAL, Program Level | 381 | 681,969 | 375 | 430,263 | 372 | 680,647 |

Elimination of the Trade Adjustment Assistance Centers was proposed in each request. Activities currently carried out by these Centers will be assumed by other Commerce agencies and the Small Business Administration.

Pending Reauthorization

QUESTION:

What is the impact of the pending reauthorization bill on the proposed FY 1995 budget for the Economic Development Administration? Are there any "shortfalls" in your authorization?

ANSWER:

Overall, the pending reauthorization bill, as reported out of the House Public Works Committee on November 9, 1993, will have a positive impact on the proposed FY 1995 budget request. Since the bill amends EDA's basic authorizing legislation, all provisions of the original Act remain unchanged except those specified in this bill. However,

there are some "shortfalls" which EDA feels needs to be addressed. Specifically, the areas of concern as contained in the pending legislation are:

1) While the bill eliminates designation as a criterion for assistance, it retains provisions referring to previously "designated" areas as redevelopment areas. EDA believes that the concept of "redevelopment area" relates to the former designation process and is no longer needed.

2) Provision to expand the permissible uses of the Economic Development Revolving Fund beyond loans and guarantees to include protection of the Government's interest in grant properties was dropped as it was viewed as being inconsistent with the Federal Credit Reform Act of 1990. The provision to protect the government's interest should be placed in Title III.

3) The bill requires the Secretary to ensure that regional counsels report directly to the regional directors. The Department disagrees with this provision and we believe it interferes in the management of the Agency and should be deleted.

4) The bill mandates the organization structure responsibilities with respect to expediting project applications as well as the development of uniform application forms for general use. EDA believes that the provision mandating organization structure could be counterproductive and that forms development is within the purview of the Office of Management and Budget. Accordingly, the Agency has recommended that these provisions be deleted. Any efforts to implement reforms in Government assistance procedures should be spearheaded by OMB on a government-wide basis rather than inserted in EDA's reauthorization legislation.

5) The bill prohibits the expenditure of funds under the Act in violation of the "Buy American Act." EDA believes that relevant sections are unnecessary and should be deleted as they could conflict with U.S. international obligations.

The aforementioned recommendations addressed H.R. 2442 as reported out of the full House Public Works Committee. These, as well as additional technical amendments, were transmitted to the Congress on February 2, 1994, for incorporation into the final bill.

QUESTION:

Has the Administration commented on the proposed legislation or submitted amendment proposals to the

authorizers? Please share with us your ideas on the pending bill.

ANSWER:

On February 2, 1994, the Department of Commerce transmitted comments on H.R. 2442 to Henry B. Gonzalez, Chairman of the House Banking, Finance and Urban Affairs Committee, and Paul J. Kanjorski, Chairman of the House Subcommittee on Economic Growth and Credit Formation as well as additional technical amendments for consideration to the House Committee on Public Works and Transportation. EDA believes that if its comments on H.R. 2442 and the additional technical amendments submitted on February 2, 1994, are incorporated into the final bill, the resulting law will afford us the mandate and mechanism to address the economic ills facing today's distressed communities.

MONDAY, MARCH 14, 1994.

MINORITY BUSINESS DEVELOPMENT AGENCY

WITNESSES

GILBERT COLON, ACTING DIRECTOR

HAROLYN BOULWARE, BUDGET OFFICER

JOHN WALKER, DIRECTOR OF FINANCE

C. HOWIE HODGES, II, ASSISTANT DIRECTOR FOR PROGRAM DEVELOPMENT

ERIC JENSEN, ACTING ASSISTANT DIRECTOR FOR EXTERNAL AFFAIRS

**SHAN THEVER, ASSISTANT DIRECTOR FOR OPERATIONS, DESIGNATE
LORETTA YOUNG, ACTING DEPUTY ASSISTANT DIRECTOR FOR OPERATIONS**

MARK E. BROWN, DIRECTOR, OFFICE OF BUDGET

GEORGE PARISH, EXECUTIVE OFFICER

Mr. MOLLOHAN. The final item we are considering this afternoon is the fiscal year 1995 budget request for the Minority Business Development Agency of the Department of Commerce. The request is for \$44,733,000, which is an increase of \$2,633,000 over the amounts appropriated to date for fiscal year 1994.

[The justifications follow:]

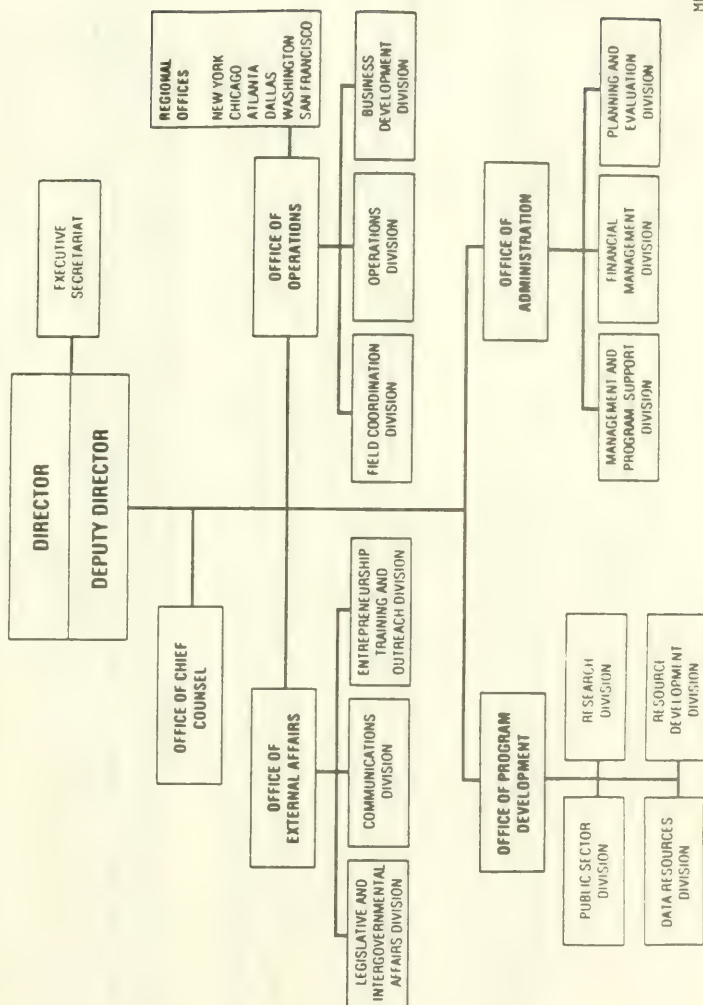
DEPARTMENT OF COMMERCE
MINORITY BUSINESS DEVELOPMENT AGENCY
Budget Estimates, Fiscal Year 1995
Congressional Submission

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Business Development.....
Resource Development.....
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Advocacy, Research & Information
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Research.....
Information.....
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Justification of Proposed Language Changes.....
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Periodicals, Pamphlets, and Audiovisual Services.....
Average Grade and Salaries..... | MBDA-23
MBDA-26
MBDA-34
MBDA-41
MBDA-48
MBDA-51
MBDA-58
MBDA-61
MBDA-63
MBDA-68
MBDA-69
MBDA-70
MBDA-71 |
| 16 | | |
| 17 | | |
| 32 | | |
| 33 | | |
| 35 | | |
| 36 | | |

U.S. Department of Commerce

MINORITY BUSINESS DEVELOPMENT AGENCY



Department of Commerce
Minority Business Development Agency
General Statement

I. MISSION

The Minority Business Development Agency (MBDA) is the only Federal Agency specifically created to foster the establishment and growth of minority-owned business. MBDA's primary mission is to promote the establishment and growth of minority-owned businesses by providing management and technical assistance services and fostering procurement and financing opportunities for minority business enterprises.

II. BUDGET REQUEST

To work toward accomplishing this mission, MBDA's FY 1995 budget request is \$44.7 million. For fiscal year 1995, MBDA requests \$2.6 million above the FY 1994 Appropriation and \$1.9 million above the 1995 base, including; \$496 thousand to upgrade the capacity of the existing delivery system; \$270 thousand in additional funding for Minority Business Opportunity Committees (MBOCs) at the local level; an additional \$940 thousand for the capital access initiatives; and an increase of \$505 thousand for research to study discrimination in commercial lending.

This request also proposes a three (3) FTE, \$266 thousand administrative reduction. The increases proposed for FY 1995 will provide opportunity for job creation and economic well being.

III. MAJOR EXTERNAL TRENDS AND CONDITIONS

Trends

The 1991-1992 recession which has severely weakened the overall economy has had a disproportionate impact within the minority business community. Additionally within this community, unemployment and crime has increased.

The minority community represents 25% of the American population. However, it owns only 9% of the nation's operating businesses and generates only 4% of its gross business revenues. The gap between the minority share of the United States population and minority business ownership remains wide and could easily become wider each year as predicted demographic changes in the racial/ethnic mix of the population occur.

Conditions

The low participation rate of minorities in the nation's free enterprise system must be improved if this country is going to remain competitive over the next century. The nation must tap every resource available to it, thus engaging

minorities in economic development will assure the country continued viability. Most minority-owned firms are concentrated in the retail and service industries versus business services and technology intensive industries, where business and economic forecasts predict significant growth.

In addition to the economic trends, minority-owned businesses face other major obstacles.

- ♦ **Access to capital** - the lack of access to commercial financial institutions such as banks and the capital equity markets.
- ♦ **Business education and training** - the lack of information on how to start a business.

These obstacles, forecasted by the recent trends in unemployment, crime and disparities in minority business ownership, present a challenge to the Agency to obtain a much greater impact on minority owned business than ever before. The Agency must respond to such a challenge by refocusing its programs, expanding into new areas, such as telecommunications international trade, and travel and tourism, and taking full advantage of resources and programs now emerging in communities across the country.

This Administration is committed to increasing public and private sector investment in areas critical to the nation's long term economic growth. MBDA will help carry out this goal by promoting public and private investment in the development of competitive minority-owned businesses. Through its programs, MBDA will help eliminate the barriers to minority business formation and expansion and bring more minority businesses into the economic mainstream.

The following is a comparison of the FY 1994 enacted amount with the FY 1995 estimates and related data on current employment for this program within the Department of Commerce.

| | 1994 Appropriation | | 1995 Estimate | | Increase/ (Decrease) | | Perm. Emp.
12/31/93 |
|--|--------------------|----------|---------------|----------|----------------------|---------|------------------------|
| | Perm.
Pos. | Amount | Perm.
Pos. | Amount | Perm.
Pos. | Amount | |
| Enterprise Dev..... | 148 | \$36,304 | 145 | \$37,297 | (3) | \$ 993 | 123 |
| Resource Development.. | 27 | 3,179 | 27 | 4,228 | 0 | 1,049 | 23 |
| Advocacy, Research and
Information..... | 34 | 2,617 | 34 | 3,208 | 0 | 591 | 28 |
| Total Requirements ... | 209 | \$42,100 | 206 | \$44,733 | (3) | \$2,633 | 174 |

IV. TO ACHIEVE ITS MISSION MBDA WILL

provide national leadership, leverage and coordinate public and private resources, provide management and technical assistance, conduct research and collect and disseminate information.

A. Key goals:

- ♦ enhance economic opportunity for minority Americans through the creation and expansion of highly competitive minority business enterprises.
- ♦ provide specialized technical services in growth markets, such as tourism, international trade, capital development, construction assistance and bonding, as well as high tech and other emerging industries.
- ♦ increase minority business participation in publically funded programs and procurement awards.
- ♦ provide national leadership in the area of policy coordination across all Federal Departments.
- ♦ research the needs of minority business and identify emerging markets.

B. Mission areas:

The Agency's goals will be accomplished through the activities outlined below, as carried out in the three primary mission areas of MBDA; 1) Enterprise Development, 2) Resource Development, 3) Advocacy Research & Information.

Program Elements:

1. Enterprise Development

MBDA's Enterprise Development promotes private and public investment in the nation's minority business sector by producing viable minority enterprises. By providing the hands-on professional business development assistance needed to be successful in the competitive marketplace both nationally and globally, the MBDA Enterprise Development Program creates more investment, greater revenues, and more jobs; thereby directly contributing to a healthy, productive national economy.

The Enterprise Development activities discussed in this budget are conducted through a network of Minority Business Development Centers (MBDCs), Native American Business Development Centers (NABDCs), and Minority Enterprise Growth Assistance (MEGA) Centers. The MBDCs & NABDCs provide quality management and technical assistance services in urban and rural locations throughout the country. MEGA Centers are designed to provide additional and enhanced services which the local centers may not be able to provide.

The focus of the Enterprise Development activity directly complements the Department's mission by providing direct client-specific management and technical assistance to minority entrepreneurs, as well as identifying and developing market and capital resource opportunities to ensure the development of competitive minority businesses in the U.S.

2. Resource Development

The Resource Development activity is responsible for developing new and innovative programs in the public and private sectors that address systemic barriers to successful minority-owned business operation. Resource Development activities have focused on interagency coordination of federal market opportunities; identifying and disseminating opportunities arising throughout the country from defense conversion; coordinating state and local business opportunities; capital development and bonding assistance; international trade, travel and tourism and emerging technological industries and franchising.

Public Sector Subactivity

Federal, State and local governments and other governmental entities generate an immense range and number of procurement and contract opportunities in which America's minority businesses can participate to improve job creation and competitiveness in minority communities. Under this subactivity, MBDA will continuously work to improve the performance of public sector business programs and job development programs. This can be measured by minority business participation in publicly funded domestic assistance and contracts.

This initiative will be implemented through increasing resources for minority business development. Using contracts, interagency and joint project agreements, MBDA will leverage its resources with other public entity partners to implement such program elements as MBOCs that promote market opportunities.

Private Sector Subactivity

MBDA's private sector subactivity designs and develops projects for minority business access to private sector markets and business resources. These initiatives are accomplished through the following vehicles: 1) contracts, 2) grants, 3) Memoranda of Understanding, 4) interagency agreements and 5) public/private partnerships. If Minority Business Entrepreneurs (MBEs) are to be competitive and succeed, they must have access to existing and new market opportunities. These efforts will complement the mission of the Department of Commerce by expanding foreign markets and exports, enhancing technology development and commercialization and providing assistance to distressed communities. Facilitating

minority businesses access to markets and financing is designed to increase state, local and federal revenues and additional demand for goods and services.

To address key issues, the private sector subactivity will promote capital, management and market development programs to start, support and expand minority businesses.

MBDA's capital development strategy will continue to focus on increasing minority business access to capital through information dissemination and coordinated efforts with public and private capital sources. Training and awareness seminars/forums will be sponsored to familiarize the minority business community with credit criteria and financial institutions with minority businesses. Specifically, the forums will bring together lenders from commercial financial institutions, minority businesses and technical assistance providers, e.g., BDC network, Small Business Administration, Securities Exchange Commission, Federal Reserve System and the Comptroller of the Currency. Banks, surety companies, trade associations and investment firms are also invited to participate.

MBDA will also work with these organizations and providers on the development of an active secondary market for minority business loans as well as for minority equity investments.

The market development strategy will include program components in growth industries such as telecommunications, tourism, and international trade.

Currently, MBEs represent a mere .5% of the total U.S. firms in the telecommunication industry. MBDA hopes to promote greater minority representation in this industry through a telecommunications project known as Contrain, initiated in FY 1992 and continuing into FY 1994. In conjunction with the National Telecommunications and Information Agency, MBDA matched new minority telecommunications property owners with established multi-unit owners who serve as mentors and advisors to the new minority owners. This project has been successful in the development of two station owners who are now operating in the states of Ohio and Missouri. In addition, 14 new station owners are currently being trained by corporate volunteer sponsors in the broadcast industry. Another program component (TELECAP) is designed to enable minorities easier access to capital needed for entrance into the telecommunications industry.

Travel and Tourism is a \$350 billion high-growth industry which offers tremendous business opportunities for minorities. To diversify local economic markets, it is now common for state and local governments to offer incentives to promising tourism initiatives. In FY 1995, MBDA will fund tourism projects in areas having an infrastructure for developing and establishing travel and tourism related businesses.

MBDA's international trade objective is to increase minority business participation in exporting through targeted initiatives. MBDA will continue to conduct seminars to train minority businesses in international trade related services. There is a service gap for minority businesses which are mostly pre-export firms (those with no direct or indirect export experience). Existing government export programs primarily serve export ready firms. MBDA working in conjunction with ITA, intends to fill this gap with pre-export training and business planning assistance. MBDA also

proposes to coordinate two (2) trade missions and increase minority business enterprises (MBEs) participation in other matchmaker events.

Leveraging Relationships

The following relationships have been established with resources outside of MBDA to leverage support for program efforts.

Capital Access

- In the capital development area the Agency produced seminars, workshops and conferences. It held one-on-one meetings with bank regulatory agencies. Commercial financial institutions, surety bond producers, and trade and business associations were assembled to implement objectives and programs and to provide direct assistance to minority firms.

Tourism/Trade

- To increase minority business participation in tourism, MBDA and the United States Travel and Tourism Administration have joined forces, via Memorandum of Understanding, to use ethnic/cultural tourism development as an economic option for urban renewal. Training/awareness seminars will be forthcoming using proven ethnic tourism models for the following four ethnic groups: Hispanic-American, African American, Asian American, and Native-American.

International Trade

- MBDA has been working with the International Trade Administration (ITA) to jointly sponsor international trade missions and provide follow-up workshops in selected locations throughout the country. To date, trade missions have included two delegations to Mexico and one delegation to the Persian Gulf which resulted in 459 sales leads and \$3.5 million in export sales.
- In addition, MBDA has an interagency agreement with ITA which assists minority firms to export their products by providing industry trade opportunities, trade seminar missions and other related information, particularly in Mexico.
- In conjunction with ITA, MBDA formed a twelve member Minority Business Working Group to foster export opportunities for minorities.

Technology

- Through interagency agreements with NTIA, the Agency operates two technology initiatives: Telecap identifies and analyzes key investment strategies, presents case studies of successful minority telecommunication businesses, and develops new models for investment capital. ComTrain, a major communications training program was designed to assist new and existing minority broadcast owners.

3. Advocacy, Research and Information

Advocacy Subactivity

MBDA is the advocate for expanding the growth and development of minority business enterprise. MBDA's Advocacy subactivity includes the Minority Enterprise Development (MED) Week observance, local and regional business conferences and a variety of publications which highlight the accomplishments of MBEs. Additionally, MBDA disseminates print, video and broadcast information to the public which supports minority business development at major national exhibits and conferences as well as at local and regional events.

MBDA's Advocacy program a) participates in national conferences and other forums to promote minority business enterprise; b) produces public information brochures about Agency programs; c) co-produces MED Week with the SBA; and d) promotes assistance and support to youth entrepreneurship.

Research Subactivity

The Research subactivity provides market information for principal programs identified in the Enterprise Development and Resource Development programs. Findings from research studies will be used by the Agency to: improve exiting programs or initiate new programs; encourage public sector, private sector, and community organizations to invest additional resources in minority business development and to coordinate their resources with MBDA's programs.

The Research Program is designed to foster a better understanding of the business and entrepreneurship needs, identify market-based development needs of minority-owned businesses, and recommend new policy and program directions for the Agency and others involved in minority business development. An enhanced research function is critical towards making informed and sound decisions. With the increase requested for FY 1995, the Research component would conduct studies into commercial lending practices as they relate to MBEs.

Information Subactivity

The Information subactivity addresses policy and program requirements for information management. MBDA will continue to collect on-line performance data on currently funded programs through the MBDA computerized network and will continue to operate the Automated Business Enterprise Locator System (ABELS). ABEL is a nationwide system for locating minority - owned firms which are capable of selling their goods and services in public and private sector markets. In FY 1995, MBDA plans to increase the number of minority-owned firms registered in ABELS. MBDA will continue to provide computer printouts and mailing labels to appropriate purchasing officials. The information subactivity also promotes the agency's use of modern information technology to improve internal management, productivity and effectiveness. MBDA will also begin to use electronic methods for disseminating to purchasing officials the names and addresses of minority-owned suppliers.

V. MBDA's MISSION AND THIS BUDGET PROPOSAL DIRECTLY SUPPORT THE DEPARTMENT OF COMMERCE'S MISSION

MBDA's initiatives are designed to:

- Increase access to financing which will assist firm growth and result in lower levels of unemployment. The concomitant effects will be evidenced in a higher Gross National Product and a general betterment of the overall quality of life for the nation.
- Increase the level of minority participation in the U.S. market place over the next five years (commensurate with the next Minority Business Survey by the U.S. Census in 1997) through increased awareness, increased understanding of business, i.e. risks, rewards, requirements/strategies.
- Expand additional secondary markets, which will add to the depth, breadth, and resiliency of the capital markets further strengthening those markets and providing investors with additional choices.
- Open and expand foreign markets and U.S. exports by increasing the number and kinds of minority businesses able to successfully compete in world markets.
- Increase Federal partnerships with other agencies. The MBDA supports assistance to Historically Black Colleges and Universities, Department of Education and minority youth in many distressed inner cities under the sponsorship of the Department of Justice.

Exhibit 5

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 SUMMARY OF RESOURCE REQUIREMENTS
 (Dollar amounts in thousands)

| Page.
No. | Positions | Budget
Authority | FTE |
|-------------------------------------|-----------|---------------------|-----|
| MBDA-14 | 209 | 42,100 | 190 |
| | 0 | 688 | 0 |
| Appropriation available, 1994..... | | | |
| plus: 1995 adjustments to base..... | | | |
| 1995 base..... | 209 | 42,788 | 190 |
| less: Administrative savings..... | 0 | (93) | 0 |
| less: FTE savings..... | (3) | (173) | (3) |
| plus: 1995 program changes..... | 0 | 2,211 | 0 |
| 1995 estimate..... | 206 | 44,733 | 187 |

| Page.
No. | Comparison by activity: | 1993
Actual | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
(Decrease)
over 1995 Base |
|--------------|------------------------------|----------------|--------------------------------|--------------|------------------|---|
| MBDA-26 | Enterprise Development: | | | | | |
| | Business Development..... | | | | | |
| | Pos./BA | 148 | 32,203 | 148 | 37,067 | 145 |
| | FTE/Obl. | 122 | 36,671 | 132 | 37,067 | 129 |
| | | | | | | (3) |
| | | | | | | (3) |
| | Subtotal, Enterprise Dev.... | 148 | 32,203 | 148 | 37,067 | 145 |
| | FTE/Obl. | 122 | 36,671 | 132 | 37,067 | 129 |
| | | | | | | (3) |
| | | | | | | (3) |
| MBDA-34 | Resource Development: | | | | | |
| | Public Sector..... | | | | | |
| | Pos./BA | 13 | 1,274 | 13 | 1,335 | 13 |
| | FTE/Obl. | 11 | 1,719 | 12 | 1,335 | 12 |
| | | | | | | 1,605 |
| | | | | | | 0 |
| | Private Sector..... | | | | | |
| | Pos./BA | 14 | 1,761 | 14 | 1,683 | 14 |
| | FTE/Obl. | 12 | 2,086 | 13 | 1,683 | 13 |
| | | | | | | 2,623 |
| | | | | | | 0 |
| | Subtotal, Resource Dev..... | 27 | 3,035 | 27 | 3,018 | 27 |
| | FTE/Obl. | 23 | 3,805 | 25 | 3,018 | 25 |
| | | | | | | 4,228 |
| | | | | | | 0 |
| | | | | | | 1,210 |
| | | | | | | 0 |
| | | | | | | 1,210 |

Page.

No.

Comparison by activity:

MBDA-48 Advocacy, Research & Info:

| | 1993
Actual | | 1994
Currently
Available | | 1995
Base | | 1995
Estimate | | Increase/
(Decrease)
over 1995 Base | |
|--|----------------|--------|--------------------------------|---------|--------------|--------|------------------|--------|---|--------|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| Pos./BA | 7 | 526 | 7 | 448 | 7 | 468 | 7 | 468 | 0 | 0 |
| FTE/Obl. | 6 | 634 | 7 | 450 | 7 | 468 | 7 | 468 | 0 | 0 |
| Research..... | 8 | 1,093 | 8 | 1,109 | 8 | 1,134 | 8 | 1,639 | 0 | 505 |
| Pos./BA | 7 | 1,825 | 8 | 1,113 | 8 | 1,134 | 8 | 1,639 | 0 | 505 |
| FTE/Obl. | 19 | 1,032 | 19 | 1,060 | 19 | 1,101 | 19 | 1,101 | 0 | 0 |
| Pos./BA | 17 | 980 | 18 | 1,066 | 18 | 1,101 | 18 | 1,101 | 0 | 0 |
| FTE/Obl. | | | | | | | | | | |
| Subtotal, Advocacy, Research
& Information..... | 34 | 2,651 | 34 | 2,617 | 34 | 2,703 | 34 | 3,208 | 0 | 505 |
| Pos./BA | 30 | 3,239 | 33 | 2,629 | 33 | 2,703 | 33 | 3,208 | 0 | 505 |
| FTE/Obl. | | | | | | | | | | |
| Direct Obligations..... | 209 | 37,889 | 209 | 42,100 | 209 | 42,788 | 206 | 44,733 | (3) | 1,945 |
| Pos./BA | 175 | 43,715 | 190 | 44,183 | 190 | 42,788 | 187 | 44,733 | (3) | 1,945 |
| FTE/Obl. | | | | | | | | | | |
| Adjustments to Obligations: | | | | | | | | | | |
| Recoveries..... | (2,259) | | | 0 | | 0 | | 0 | | 0 |
| Unobligated Balance, SOY.. | (5,667) | | | (2,083) | | 0 | | 0 | | 0 |
| Unobligated Balance, Tran. | 0 | | | 0 | | 0 | | 0 | | 0 |
| Unobligated Balance, EOY.. | 2,083 | | | 0 | | 0 | | 0 | | 0 |
| Unobligated Balance, Exp.. | 17 | | | 0 | | 0 | | 0 | | 0 |
| Financing from Transfers: | | | | | | | | | | |
| Transfer from Other Accts. | 0 | | | 0 | | 0 | | 0 | | 0 |
| Transfer to Other Accts... | 0 | | | 0 | | 0 | | 0 | | 0 |
| Appropriation..... | 37,889 | | | 42,100 | | 42,788 | | 44,733 | | 1,945 |

MBDA-12

Exhibit 7

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 SUMMARY OF FINANCING
 (Dollar amounts in thousands)

| | 1993
Actual | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
(Decrease)
over
1995 Base |
|------------------------------------|----------------|--------------------------------|--------------|------------------|--|
| Amount | Amount | Amount | Amount | Amount | Amount |
| Total Obligations..... | \$43,715 | \$45,683 | \$44,288 | \$46,233 | \$1,945 |
| Financing: | | | | | |
| Offsetting collections from: | | | | | |
| Federal funds..... | 0 | (1,500) | (1,500) | (1,500) | 0 |
| Trust funds..... | 0 | 0 | 0 | 0 | 0 |
| Non-Federal sources..... | 0 | 0 | 0 | 0 | 0 |
| Recoveries..... | (2,259) | 0 | 0 | 0 | 0 |
| Unobligated balance, start of year | (5,667) | (2,083) | 0 | 0 | 0 |
| Unobligated balance transferred.. | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance, end of year.. | 2,083 | 0 | 0 | 0 | 0 |
| Unobligated balance lapsing..... | 17 | 0 | 0 | 0 | 0 |
| Budget Authority..... | 37,889 | 42,100 | 42,788 | 44,733 | 1,945 |
| Transfer from other accounts..... | 0 | 0 | 0 | 0 | 0 |
| Transfer to other accounts..... | 0 | 0 | 0 | 0 | 0 |
| Appropriation..... | 37,889 | 42,100 | 42,788 | 44,733 | 1,945 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 ADJUSTMENTS TO BASE
 (Dollar amounts in thousands)

| | Positions | FTE | Amount |
|--|-----------|-----|---------|
| 1994 Locality pay raises..... | 0 | 0 | 412 |
| 1995 Pay raise..... | 0 | 0 | 131 |
| Within-grade step increases..... | 0 | 0 | 64 |
| Changes in compensable days..... | 0 | 0 | (37) |
| Civil Service Retirement System (CSRS)..... | 0 | 0 | 26 |
| Federal Employees Retirement System (FERS)..... | 0 | 0 | (48) |
| Thrift Savings Plan..... | 0 | 0 | (7) |
| Federal Insurance Contribution Act (FICA) - OASDI..... | 0 | 0 | (13) |
| Health insurance..... | 0 | 0 | 43 |
| Employees' compensation fund..... | 0 | 0 | 69 |
| Travel: | | | |
| Per Diem..... | 0 | 0 | 7 |
| Rental payments to GSA..... | 0 | 0 | 36 |
| Rental payments to others..... | 0 | 0 | (1) |
| GPO printing..... | 0 | 0 | 3 |
| Other services: | | | |
| Working Capital Fund..... | 0 | 0 | 2 |
| Supplies and materials..... | 0 | 0 | 1 |
| Redirect fund from Enterprise Dev. and Resource Dev..... | 0 | 0 | (1,542) |
| Redirect funds to the MEGA Center Program..... | 0 | 0 | 1,542 |
| Total, adjustments to base..... | 0 | 0 | 68 |

Exhibit 9

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollar amounts in thousands)

| Positions | FTE | Amount |
|-----------|-----|--------|
|-----------|-----|--------|

| | | |
|-----------------|---|-------|
| Pay Raises..... | 0 | \$543 |
|-----------------|---|-------|

1994 Locality pay raise

A locality pay raise was implemented January 1994.

| | |
|--|---------|
| Total cost in 1995 of 1994 locality pay raise..... | 358,000 |
| Less amount funded in 1994..... | 0 |
| Less amount absorbed..... | 0 |
| Amount requested in 1995 to provide full-year cost of 1994 locality pay raise..... | 358,000 |
| Payment to Working Capital Fund..... | 54,000 |
| Total adjustment for 1994 locality pay raise..... | 412,000 |

1995 pay increase and related costs

A general pay raise of 1.6% is assumed to be effective January 1, 1995.

| | |
|--|---------|
| Total cost in 1995 of pay increase..... | 115,000 |
| Less amount absorbed in FY 1995..... | 0 |
| Amount requested for 1995 pay increase..... | 115,000 |
| Payment to Working Capital Fund..... | 16,000 |
| Total, adjustment for 1995 pay increase..... | 131,000 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollar amounts in thousands)

| | Positions | FTE | Amount |
|--|-----------|-----|----------|
| Within-grade step increases..... | 0 | 0 | 64 |
| ----- | | | |
| An increase of \$64,005 is required to cover the cost of within-grade increases. This estimate reflects the net cost of step increases including merit pay increases which will be earned in 1995. | | | |
| Estimated number of within-grade step increases..... | 80 | | |
| Step increases not earned due to turnover (13.4% x 79)..... | 11 | | |
| Average step above step 1 per separation..... | 3 | | |
| Average cost per within-grade step increase..... | \$1,207 | | |
| Gross cost of scheduled step increases (\$1,234 x 79)..... | | | \$96,560 |
| Less savings due to separations (\$1,234 x 11 x 3)..... | | | (39,831) |
| Subtotal, Personnel Compensation..... | | | ----- |
| Personnel Benefits @12.8%..... | | | 56,729 |
| | | | 7,276 |
| | | | ----- |
| Total adjustment to base..... | | | \$64,005 |
| Changes in compensable days..... | 0 | 0 | (37) |
| ----- | | | |

The increased cost of one less compensable day in 1995 compared to 1994 is calculated by dividing the 1994 estimated personnel compensation (\$8,591,000) and applicable benefits (\$1,141,000) by 261 compensable days. The cost decrease of one compensable day is \$37,287.

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollar amounts in thousands)

| | Positions | FTE | Amount |
|--|-----------|-----|--------|
|--|-----------|-----|--------|

Civil Service Retirement System (CSRS)

| | | |
|---|---|----|
| 0 | 0 | 26 |
|---|---|----|

The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will increase from 66.6% in 1994 to 70.9% in 1995. Contribution rates will remain the same.

| | | |
|--------------------------|--------------------------|-----------|
| 1995 | \$8,591,000 x .709 x .07 | \$426,371 |
| 1994 | \$8,591,000 x .666 x .07 | 400,512 |
| Total adjustment-to-base | | \$25,859 |

Federal Employees Retirement System (FERS)

| | | |
|---|---|------|
| 0 | 0 | (48) |
|---|---|------|

The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will drop from 33.4% in 1994 to 29.1% in 1995. The contribution rate will remain the same.

| | | |
|--------------------------|---------------------------|------------|
| 1995 | \$8,591,000 x .291 x .129 | \$322,498 |
| 1994 | \$8,591,000 x .334 x .129 | 370,152 |
| Total adjustment-to-base | | (\$47,654) |

Thrift Savings Plan (TSP)

| | | |
|---|---|-----|
| 0 | 0 | (7) |
|---|---|-----|

The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain 2%.

| | | |
|--------------------------|--------------------------|-----------|
| 1995 | \$8,591,000 x .291 x .02 | \$50,000 |
| 1994 | \$8,591,000 x .334 x .02 | 57,388 |
| Total adjustment-to-base | | (\$7,388) |

Department of Commerce
Minority Business Development Agency
Minority Business Development
JUSTIFICATION OF ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

Exhibit 9

923

| | Positions | FTE | Amount |
|--|-----------|-----|------------|
| Federal Insurance Contributions Act (FICA) | 0 | 0 | (13) |
| As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will rise from \$60,150 in FY 1994 to \$61,050 in 1995. The OASDI tax rate will remain 6.2% in 1995. | | | |
| Regular: | | | |
| 1995 \$8,591,000 x .291 x .985 x .062..... | | | \$152,674 |
| 1994 \$8,591,000 x .334 x .929 x .062..... | | | 165,271 |
| Subtotal..... | | | (\$12,597) |
| Other Salaries: | | | |
| 1995 \$50,000 x .291 x .985 x .062..... | | | \$889 |
| 1994 \$50,000 x .334 x .929 x .062..... | | | 962 |
| Subtotal..... | | | (\$73) |
| Total adjustment-to-base..... | | | (12,670) |
| Health Insurance | 0 | 0 | 43 |
| Effective January 1993, MBDA's contribution to Federal employees' health insurance premiums increased by 6.9%. | | | |
| Applied against the 1994 estimate of \$620,000, the additional amount required is \$42,780. | | | |
| Employees' Compensation Fund | 0 | 0 | 69 |
| The Employees' Compensation Fund bill for the year ending June 30, 1993, is \$69,474 higher than the bill for the year ending June 30, 1992. The charges will be reimbursed to the Department of Labor pursuant to 5 U.S.C. 8147. | | | |

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Department of Commerce
Minority Business Development Agency
Minority Business Development
JUSTIFICATION OF ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

Exhibit 9

| | Positions | FTE | Amount |
|---|-----------|-----|---------|
| Per diem increase..... | 0 | 0 | 7 |
| Effective March 1993, the General Services Administration raised per diem rates. This increase results in a 4.9% increase to MBDA. This percentage was applied to the 1994 estimate of \$144,000 to arrive at an increase of \$7,056. | | | |
| Rental Payments to GSA..... | 0 | 0 | 36 |
| GSA rates are projected to increase 2.05% in 1995. This percentage was applied to the 1994 estimate of \$1,757,000 to arrive at an increase of \$36,019. | | | |
| Rental Payments to others..... | 0 | 0 | (1) |
| Rental payments for parking facilities outside the Commerce Building are projected to decrease 2.8% in FY 1995. This percentage was applied to the 1994 estimate of \$26,000 to arrive at an decrease of \$728. | | | |
| GPO Printing..... | 0 | 0 | 3 |
| GPO has provided an estimated rate increase of 3.0%. This percentage was applied to the 1994 estimate of \$108,000 to arrive at an increase of \$3,240. | | | |
| Working Capital Fund..... | 0 | 0 | 2 |
| An additional \$2,000 is required to fund cost increases in the General Administration's Working Capital Fund. | | | |
| Supplies and materials..... | 0 | 0 | 1 |
| Based on the GNP deflator of 2.8%, the cost of supplies and materials is expected to increase by \$1,400 from the 1994 estimate of \$50,000. | | | |
| Redirect fund from Enterprise Development and Resource Development..... | 0 | 0 | (1,542) |
| The decrease of \$1,542 thousand represents a proposal to redirect funds from the Enterprise Development Program and the Resource Development Program to the MEGA Center Program. | | | |

Department of Commerce
Minority Business Development Agency
Minority Business Development
JUSTIFICATION OF ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

| | Positions | FTE | Amount |
|---|-----------|-----|--------|
| Redirect funds to the MEGA Center Program..... | 0 | 0 | 1,542 |
| ----- | | | |
| The increase of \$1,542 thousand represents a proposal to redirect funds from the Enterprise Development Program and the Resource Development Program to the MEGA Center Program. | | | |
| ----- | | | |
| Total FY 1995 Adjustments to Base and Built-in-Changes..... | 0 | 0 | \$688 |
| ----- | | | |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 ADMINISTRATIVE SAVINGS FOR 1995
 (Dollar amounts in thousands)

| | 1995 Base | | 1995 Estimate | | Increase
(Decrease) |
|-------------------------------|-----------|----------|---------------|----------|------------------------|
| | Personnel | Amount | Personnel | Amount | |
| Minority Business Development | Pos./BA | | | | |
| | FTE/Obl. | | | | |
| | 209 | \$42,788 | 209 | \$42,695 | 0 (\$93) |
| | 190 | 42,788 | 190 | 42,695 | 0 (93) |

As required by Executive Order 12837, a decrease of \$93,000 reflects a three percent reduction in administrative expenses from the amount made available for fiscal year 1993, adjusted for inflation. The decrease is taken as follows:

Subactivity: Business Development (0 FTE, -\$93)

| Costs: | 1995 | | 1996 | | 1997 | | 1998 | | 1999 | |
|---------------------|------|------|------|------|------|------|------|------|------|------|
| | 0 | (93) | 0 | (93) | 0 | (93) | 0 | (93) | 0 | (93) |
| Capitalized | | | | | | | | | | |
| Uncapitalized | | | | | | | | | | |
| Total | (93) | (93) | (93) | (93) | (93) | (93) | (93) | (93) | (93) | (93) |
| Outlays | (47) | (88) | (47) | (88) | (47) | (88) | (47) | (88) | (47) | (88) |
| Permanent Positions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM CHANGE DETAIL BY OBJECT CLASS
 (Dollar Amounts in thousands)

Account: Minority Business Development
 Program Change: Administrative Savings

| Object Class | 1995
Increase
(Decrease) |
|---|--------------------------------|
| ----- | ----- |
| 11 Personnel compensation | (83) |
| 11.1 Full-time permanent | 0 |
| 11.3 Other than full-time permanent | 0 |
| 11.5 Other personnel compensation | 0 |
| 11.8 Special personnel services payments | 0 |
| ----- | ----- |
| 11.9 Total personnel compensation | (83) |
| 12.1 Civilian personnel Benefits | (10) |
| 13 Benefits for former personnel | 0 |
| 21 Travel and transportation of persons | 0 |
| 22 Transportation of things | 0 |
| 23.1 Rental payments to GSA | 0 |
| 23.2 Rental payments to others | 0 |
| 23.3 Communications, utilities and miscellaneous charges | 0 |
| 24 Printing and reproduction | 0 |
| 25.1 Consulting services | 0 |
| 25.2 Other services | 0 |
| 25.3 Purchases of goods and services from Government accounts | 0 |
| 25.4 Operation of GOCOS | 0 |
| 25.5 Research and development contracts | 0 |
| 26 Supplies and materials | 0 |
| 31 Equipment | 0 |
| 32 Lands and structures | 0 |
| 33 Investments and loans | 0 |
| 41 Grants, subsidies and contributions | 0 |
| 42 Insurance claims and indemnities | 0 |
| 43 Interest and dividends | 0 |
| 44 Refunds | 0 |
| ----- | ----- |
| 99 Total obligations | (93) |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 FTE SAVINGS FOR 1995
 (Dollar amounts in thousands)

| | 1995 Base | | 1995 Estimate | | Increase
(Decrease) | |
|-------------------------------|-----------|----------|---------------|----------|------------------------|---------|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| Minority Business Development | Pos./BA | | | | | |
| | 209 | \$42,695 | 206 | \$42,522 | (3) | (\$173) |
| | 190 | 42,695 | 187 | 42,522 | (3) | (173) |

As required by Executive Order 12839, a decrease of 3 FTEs and \$173,000 reflects salary and benefits savings as a result of reducing staff by 1.5 percent. The decrease is taken as follows:

Subactivity: Business Development (-3 FTE, -\$173)

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------------|-------|-------|-------|-------|-------|
| Costs: | | | | | |
| Direct Obligations: | | | | | |
| Capitalized | 0 | 0 | 0 | 0 | 0 |
| Uncapitalized | (173) | (173) | (173) | (173) | (173) |
| Total | (173) | (173) | (173) | (173) | (173) |
| Budget Authority | (173) | (173) | (173) | (173) | (173) |
| Outlays | (88) | (163) | (173) | (173) | (173) |
| Permanent Positions | (3) | (3) | (3) | (3) | (3) |
| FTE | (3) | (3) | (3) | (3) | (3) |

Department of Commerce
Minority Business Development Agency
Minority Business Development
PROGRAM CHANGE PERSONNEL DETAIL

Account: Minority Business Development
Program Change: FTE Savings

| Title: | Grade | Number | Annual Salary | Total Salaries |
|---------------------------------|-------|--------|---------------|----------------|
| Business Development Specialist | 13 | (1) | 56,605 | (56,605) |
| Business Development Specialist | 13 | (1) | 49,947 | (49,947) |
| Business Development Specialist | 12 | (1) | 44,802 | (44,802) |
| Total | | (3) | | (151,354) |
| Less lapses | | 0 | | 0 |
| Total full-time permanent | | (3) | | (151,354) |
| 1995 Pay Adjustment (1.6%) | | | | (1,816) |
| Total | | | | (153,170) |

Personnel Data

Full-Time Equivalent Employment:
Full-time permanent (3)
Other than full-time permanent

Total (3)

Authorized Positions:

Full-time permanent (3)
Other than full-time permanent

Total (3)

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM CHANGE DETAIL BY OBJECT CLASS
 (Dollar Amounts in thousands)

Account: Minority Business Development
 Program Change: FTE Savings

| Object Class | 1995
Increase
(Decrease) |
|---|--------------------------------|
| ----- | ----- |
| 11 Personnel compensation | (153) |
| 11.1 Full-time permanent | 0 |
| 11.3 Other than full-time permanent | 0 |
| 11.5 Other personnel compensation | 0 |
| 11.8 Special personnel services payments | 0 |
| 11.9 Total personnel compensation | (153) |
| 12.1 Civilian personnel Benefits | (20) |
| 13 Benefits for former personnel | 0 |
| 21 Travel and transportation of persons | 0 |
| 22 Transportation of things | 0 |
| 23.1 Rental payments to GSA | 0 |
| 23.2 Rental payments to others | 0 |
| 23.3 Communications, utilities and miscellaneous charges | 0 |
| 24 Printing and reproduction | 0 |
| 25.1 Consulting services | 0 |
| 25.2 Other services | 0 |
| 25.3 Purchases of goods and services from Government accounts | 0 |
| 25.4 Operation of GOCOS | 0 |
| 25.5 Research and development contracts | 0 |
| 26 Supplies and materials | 0 |
| 31 Equipment | 0 |
| 32 Lands and structures | 0 |
| 33 Investments and loans | 0 |
| 41 Grants, subsidies and contributions | 0 |
| 42 Insurance claims and indemnities | 0 |
| 43 Interest and dividends | 0 |
| 44 Refunds | 0 |
| 99 Total obligations | (173) |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
 (Dollar amounts in thousands)

| | 1993
Actual | | 1994
Currently
Available | | 1995
Base | | 1995
Estimate | | Increase/
(Decrease)
Over 1995 Base |
|---|----------------|--------|--------------------------------|--------|--------------|--------|------------------|--------|---|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount | |
| ----- | | | | | | | | | |
| Enterprise Development:
Business Dev.... | Pos./BA | | | | | | | | |
| | FTE/Obl. | | | | | | | | |
| Total | Pos./BA | | | | | | | | |
| | FTE/Obl. | | | | | | | | |
| ----- | | | | | | | | | |
| | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel |
| ----- | | | | | | | | | |
| | 148 | 32,203 | 148 | 36,304 | 148 | 37,067 | 145 | 37,297 | (3) |
| | 122 | 36,671 | 132 | 38,278 | 132 | 37,067 | 129 | 37,297 | (3) |
| ----- | | | | | | | | | |
| | 148 | 32,203 | 148 | 36,304 | 148 | 37,067 | 145 | 37,297 | (3) |
| | 122 | 36,671 | 132 | 38,278 | 132 | 37,067 | 129 | 37,297 | (3) |
| ----- | | | | | | | | | |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 JUSTIFICATION OF PROGRAM AND PERFORMANCE (By Subactivity)

Activity: Enterprise Development
 Subactivity: Business Development

Goals and Objectives (For FY 1995)

Goal:

To promote private and public sector investment in one of the most critical areas of the nation's economy through the effective development and utilization of competitive minority businesses.

Objectives:

- To facilitate access to capital markets, capital, and business information.
- To participate in Community Development Bank and Enterprise Zone initiatives at the Federal, state, and local levels.
- To provide hands-on professional business assistance to minority entrepreneurs through the MBDA client service delivery network i.e., the Minority Business Development Center Program, the Native American Business Development Center, and the Minority Enterprise Growth Assistance Center Initiative).
- To increase productivity and create more jobs.

Base Program (FY 1995)

MBDA directly contributes to the employment of the country's minority citizens by providing needed business development and assistance services through a national service delivery network. This network, currently made up of three minority business development concepts, is tailored to address the needs of minority businesses and prospective entrepreneurs.

The network reaches more than 100 of the most populated metropolitan areas provides the public with: (1) basic management and technical assistance and marketing services of the Minority Business Development Center (MBDC) Program, (2) the uniquely targeted business development services of the Native American Business Development Centers (NABCs), and (3) more recently, the more advanced and expanded services of the Minority Enterprise Growth Assistance (MEGA) Center Initiative.

Hands-on professional business assistance is provided to minority entrepreneurs through MBDA's nation-wide network. Skilled professionals operate the MBDC Program, NABDC Program and MECA Center initiative to ensure the creation and expansion of viable minority firms.

The Agency's Enterprise Development activities for FY 1995 reflect an improved, more market-focused (MBDC) Program, and a more complex (NABDC) program. The network will provide services as determined by the local supply and demand needs of the communities where they are located. MECA Centers will provide additional services which the local centers may not be able to provide. Funding for all network programs is based upon market needs, and is economically indexed. Additionally, incentives are built into the design of each program element to stimulate center performance. Each program has its own set of performance indicators used to evaluate and rate the Agency's effort in a particular location. Client satisfaction, however, is the key indicator for all programs of the client service delivery network.

Minority Business Development Center (MBDC) Program

The Minority Business Development Center Program is the core program of the client service delivery network. It provides two essential types of business development services to the minority community. First, the program promotes and markets minority businesses to local sources of investment, financing, and procurement. The goal is to demonstrate to the local business community that using minority vendors makes good business sense. For example, using minority firms is an effective way of doing business for the following reasons:

- ▶ Using minority vendors increases access to minority consumer markets and stimulates economic growth within a company's service territory.
- ▶ Since most minority vendors are small, they can offer quality products and services at lower prices, as well as quick turnaround and response times.

Additionally, using minority vendors is good for the local business community. As minority-owned enterprises expand, they create new jobs and introduce innovative products and services.

The MBDC Program is the only government program that provides hands-on, quality business assistance services specifically for minority clients, and is comparable to private sector consultants. Such comprehensive technical assistance as bid preparation, financial packaging, business plan development, and other similar types of services are not offered specifically to the minority community in an affordable fashion. Thus, entrepreneurs who would not normally have a chance to enter into and compete in the competitive marketplace because of the high consultation costs involved, now have the opportunity to directly participate in and contribute to the economic health of the nation.

In FY 1992, the Agency's service delivery network assisted 18,213 minority clients. Business activities of \$ 1.4 billion in procurement contracts and financing assistance were produced from the services provided. This produced an economic value (return on investment) of 64 to 1. \$64 was received by minority businesses through contracts and financings for every taxpayer dollar appropriated to the program. During the same fiscal year, the centers helped 1,362 new business startups which created 4,082 jobs nationwide. Established firms assisted by MBDA employed 112,227 people.

In FY 1993, MBDA funded a Minority Enterprise Growth Assistance Center (MEGA) as a pilot in Chicago. The goal of the pilot program was to address the more advanced business needs of minority entrepreneurs. With EDA, the agency plans to fund a MEGA Center in FY 1994 and 1995 in Los Angeles. In addition MBDA plans to fund a third MEGA Center which is contingent upon a shift in base resources, continued support from EDA, and a program increase of \$496 thousand.

Native American Business Development Centers (NABDC)

The Native American Business Development Centers will continue to address the on-going economic problems of Native American Businesses and refer them to more complex services and business opportunities through the MEGA Center Initiative. In order to leverage existing resources, MBDA will integrate the efforts of its centers with programs run by tribal nations, reservations, public agencies such as the Administration for Native Americans, the Bureau of Indian Affairs and private organizations.

MBDA Delivery System Information Support

Minority-owned firms and potential entrepreneurs need economic and marketing information about their industry and the geographic areas in which they operate. Additionally, they need to receive timely information about procurement opportunities. Access to this kind of information is normally restricted to large firms that can afford to pre-pay substantial initial expenses and annual subscription fees. For this reason, minority-owned firms ordinarily lack access to valuable information.

To narrow this information gap, (MBDA) provides information support systems including high tech service and on-line access in a menu format. The on-line menu approach ensures the flexibility to access only the information needed. The computer data bases provided by these systems is essential to fully assist customers in obtaining financing and contracts. Each center is able to access these computer data bases through microcomputers using telecommunications capabilities provided by the information service contractors and MBDA, Department of Commerce systems.

| | <u>FY 1993</u> | <u>FY 1994</u> | <u>FY 1995</u> |
|---|----------------|----------------|----------------|
| Performance Measures: | | | |
| MEGA, MBDC, NABDC and BDC information support | | | |
| Number of Customers | 15,380 | 16,100 | 16,100 |
| Hours of M&TA | 338,000 | 371,000 | 371,000 |
| \$Financial/\$Procurement | 845,000,000 | 890,000,000 | 890,000,000 |
| Business Starts | 1,100 | 1,200 | 1,200 |
| Jobs Within New Starts | 3,600 | 3,950 | 3,950 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 INCREASE FOR 1995
 (Dollars amounts in thousands)

| | 1995 Base | | 1995 Estimate | | Increase
(Decrease) |
|--|------------|--------------------|---------------|--------------------|------------------------|
| | Personnel | Amount | Personnel | Amount | |
| Business Development.....Pos./BA
FTE/Obl. | 145
129 | \$36,801
36,801 | 145
129 | \$37,297
37,297 | 0 \$ 496
0 496 |

Funding For The MEGA Centers (0 FTE, 0 Positions, \$496,000)

MBDA is requesting \$496 thousand to fully fund the operations and support of three MEGA Centers projected to be operational in fiscal year 1995. This increase, along with a redirection of \$1.5 million in MBDA's base will allow operation of the Los Angeles MEGA Center and the Chicago MEGA Center. A new MEGA Center is projected to be operational by the end of the fiscal year.

Performance Measures:

MBDC, NAP and MEGA and Information Support

| | <u>FY 1995</u> | <u>FY 1996</u> | <u>FY 1997</u> | <u>FY 1998</u> | <u>FY 1999</u> |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Number of customers | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 |
| Hours of M&TA | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 |
| \$Financial/\$procurement | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| Business Starts | 130 | 130 | 130 | 130 | 130 |
| Jobs within New Starts | 400 | 400 | 400 | 400 | 400 |

Costs:

Direct Obligations

| | | | | | |
|------------------------|-----|-----|-----|-----|-----|
| Capitalized | 0 | 0 | 0 | 0 | 0 |
| Uncapitalized | 496 | 496 | 496 | 496 | 496 |
| Total | 496 | 496 | 496 | 496 | 496 |
| Budget Authority | 496 | 496 | 496 | 496 | 496 |
| Outlays | 252 | 468 | 496 | 496 | 496 |
| Positions | 0 | 0 | 0 | 0 | 0 |
| FTE | 0 | 0 | 0 | 0 | 0 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM CHANGE DETAIL BY OBJECT CLASS
 (Dollar Amounts in thousands)

Exhibit 15

Activity: Enterprise Development
 Subactivity: Business Development

| Object Class | 1995
Increase
(Decrease) |
|---|--------------------------------|
| ----- | ----- |
| 11 Personnel compensation | |
| 11.1 Full-time permanent | 0 |
| 11.3 Other than full-time permanent | 0 |
| 11.5 Other personnel compensation | 0 |
| 11.8 Special personnel services payments | 0 |
| 11.9 Total personnel compensation | 0 |
| 12.1 Civilian personnel Benefits | 0 |
| 13 Benefits for former personnel | 0 |
| 21 Travel and transportation of persons | 0 |
| 22 Transportation of things | 0 |
| 23.1 Rental payments to GSA | 0 |
| 23.2 Rental payments to others | 0 |
| 23.3 Communications, utilities and miscellaneous charges | 0 |
| 24 Printing and reproduction | 0 |
| 25.1 Consulting services | 0 |
| 25.2 Other services | 266 |
| 25.3 Purchases of goods and services from Government accounts | 0 |
| 25.4 Operation of GOCOs | 0 |
| 25.5 Research and development contracts | 0 |
| 26 Supplies and materials | 0 |
| 31 Equipment | 0 |
| 32 Lands and structures | 0 |
| 33 Investments and loans | 0 |
| 41 Grants, subsidies and contributions | 230 |
| 42 Insurance claims and indemnities | 0 |
| 43 Interest and dividends | 0 |
| 44 Refunds | 0 |
| 99 Total obligations | 496 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
 (Dollar amounts in thousands)

| | 1993
Actual | 1994
Currently
Available | | 1995
Base | | 1995
Estimate | | Increase/
(Decrease)
Over 1995 Base |
|-----------------------|----------------|--------------------------------|-----------|--------------|-----------|------------------|-----------|---|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| Resource development: | | | | | | | | |
| Public Sector..... | | | | | | | | |
| Pos./BA | 13 | 1,274 | 13 | 1,298 | 13 | 1,335 | 13 | 1,605 |
| FTE/Obl. | 11 | 1,719 | 12 | 1,303 | 12 | 1,335 | 12 | 1,605 |
| Total | | | | | | | | |
| Pos./BA | 13 | 1,274 | 13 | 1,298 | 13 | 1,335 | 13 | 1,605 |
| FTE/Obl. | 11 | 1,719 | 12 | 1,303 | 12 | 1,335 | 12 | 1,605 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 JUSTIFICATION OF PROGRAM AND PERFORMANCE (By Subactivity)

Activity: Resource Development
 Subactivity: Public Sector

Goals and Objectives (for FY 1995)

Goal:

To ensure full implementation of MBDA's responsibilities under Section One(1) of Executive Order 12432 and Section One (1) of Executive Order 11625 at the Federal, state and local levels.

Objectives:

- . To provide guidance to Federal agencies in setting their annual minority business goals, and monitor performance.
- . To secure support of resources from other Federal, and state and local governments to implement MBDA initiatives.
- . To expand MBDA's participation in the Minority Business Opportunity Committee (MBOC) program.
- . To improve the relationship with the Directors of the Office of Small & Disadvantaged Business Utilization (OSDBU)
- . To disseminate public and private sector business opportunities information to MBDCs.

Base Program (FY 1995)

Programs/Initiatives

The Public Sector programs promote the mobilization of public sector resources for the development and growth of minority business enterprises. These efforts have strengthened cooperation among state and municipal governments, minority business enterprises, and six MBDA regional offices. At the Federal level, MBDA plays a key role in promoting, and evaluating Federal agencies' annual procurement and financial assistance goals for minority-owned firms. In 1992, total federal awards to MBEs exceeded \$16.6 billion, an increase of \$1.6 billion (10.6%) over the previous year's total of \$15.0 billion.

At the state and local level, MBDA's long-term strategy is to increase resources for the development of minority business, and to encourage state and local governments to invest more of their resources in minority business development. In FY 1992, MBDA initiated a series of regional conferences to leverage these resources. These conferences were designed to organize information about state and local public sector programs and opportunities available to minority firms. In addition to identifying key aspects of the various minority business development programs, the conferences helped to raise awareness of the diversity of the minority business owners capability within each region. In FY 1993 and beyond, MBDA will increase collaboration among Federal, state and local sector funded infrastructure and other reinvestment projects to assure minority businesses have access to business development and job creation opportunities. Specific public sector efforts such as the Federal-aid highway program, mass transit capital improvements, and Community Development Block Grants, have been featured in the conference series.

The Public Sector maintains on-going Minority Business Opportunity Committee (MBOC) programs which are designed to coordinate and leverage resources of Federal, state and local governments. The private sector MBOCs are part of Federal Executive Boards (FEB) and are located in four of the ten federal regions. The FEB is an organization within the Federal Government which is comprised of representatives of all federal agencies. Under the leadership of the FEB, procurement opportunities are identified by the various agencies represented. Consequently, these MBOCs are strategically positioned to support and implement activities that bring together local heads of Federal Government agencies, state and local governments and private sector entities. To assist in coordinating resources in the Los Angeles community after the 1992 Civil Disorder, MBDA established the Los Angeles MBOC in cooperation with the Los Angeles FEB. In 1992, MBOCs identified procurement opportunities totalling \$62 million: Chicago (\$56 million), Pittsburgh (\$5 million), and Houston (\$1 million).

| | <u>FY 1993</u> | <u>FY 1994</u> | <u>FY 1995</u> |
|---|----------------|----------------|----------------|
| Performance Measures: | | | |
| Minority Business Opportunity Committees (MBOCs): | | | |
| No. of MBOCs Funded | 5 | 7 | 6 |
| Value of procurements obtained | \$20M | 20M | 20M |
| Interagency Programs: | | | |
| No. of MOUs & Interagency Agreements signed | 10 | 10 | 10 |

| | <u>FY 1993</u> | <u>FY 1994</u> | <u>FY 1995</u> |
|---|----------------|----------------|----------------|
| Value of Native Americans products
and services marketed | \$2M | \$2M | \$2M |
| No. of Federal Agency Plans Reviewed .. | 26 | 26 | 26 |

Department of Commerce
Minority Business Development Agency
Minority Business Development
INCREASE FOR 1995
(Dollars amounts in thousands)

| | 1995 Base | | 1995 Estimate | | Increase
(Decrease) | |
|---------------------------------------|-----------|-------------------|---------------|-------------------|------------------------|---------------|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| Public Sector.....Pos./BA
FTE/Obl. | 13
12 | \$ 1,335
1,335 | 13
12 | \$ 1,605
1,605 | 0
0 | \$ 270
270 |

Additional MBOCs (0 FTE, 0 Positions, \$270,000)

MBDA requests \$270 thousand to expand the MBOC initiative to four additional locations: Texas, West Virginia, New York, and South Carolina. MBOCs have been an effective means of increasing access to Federal procurement opportunities to minority entrepreneurs outside of Washington, D.C. They are effective because they can access, coordinate and disseminate federal, state, local and corporate contract and procurement information at significantly lower costs than MBDA and with minimal overhead cost. The expansion of this initiative will focus on opportunities arising from defense conversion activities. MBDA anticipates at least \$20 million in procurement opportunities in FY 1995. In 1995, MBDA will institute a minimum 15% cost share by the organization performing MBOC activities. In some cases, the agency has negotiated a cost share commitment of over 45%.

Performance Measures:

| | FY 1995 | FY 1996 | FY 1997 | FY 1998 | FY 1999 |
|--|---------|---------|---------|---------|---------|
| Minority Business Opportunity Committees (MBOCs) | | | | | |
| No. of MBOCs funded | 4 | 4 | 4 | 4 | 4 |
| Value of Procurements Obtained | \$ 40M | \$ 40M | \$ 40M | \$ 40M | \$ 40M |

FY 1999

FY 1998

FY 1997

FY 1996

FY 1995

Costs:

| | | | | |
|------------------------|-----|-----|-----|-----|
| Direct Obligations | 0 | 0 | 0 | 0 |
| Capitalized | 270 | 270 | 270 | 270 |
| Uncapitalized | 270 | 270 | 270 | 270 |
| Total | 270 | 270 | 270 | 270 |
| Budget Authority | 137 | 255 | 0 | 0 |
| Outlays | 0 | 0 | 0 | 0 |
| Positions | 0 | 0 | 0 | 0 |
| FTE | 0 | 0 | 0 | 0 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM CHANGE DETAIL BY OBJECT CLASS
 (Dollar Amounts in thousands)

Activity: Resource Development
 Subactivity: Public Sector

| Object Class | 1995
Increase
(Decrease) |
|---|--------------------------------|
| ----- | ----- |
| 11 Personnel compensation | 0 |
| 11.1 Full-time permanent | 0 |
| 11.3 Other than full-time permanent | 0 |
| 11.5 Other personnel compensation | 0 |
| 11.8 Special personnel services payments | 0 |
| ----- | ----- |
| 11.9 Total personnel compensation | 0 |
| 12.1 Civilian personnel Benefits | 0 |
| 13 Benefits for former personnel | 0 |
| 21 Travel and transportation of persons | 0 |
| 22 Transportation of things | 0 |
| 23.1 Rental payments to GSA | 0 |
| 23.2 Rental payments to others | 0 |
| 23.3 Communications, utilities and miscellaneous charges | 0 |
| 24 Printing and reproduction | 0 |
| 25.1 Consulting services | 0 |
| 25.2 Other services | 270 |
| 25.3 Purchases of goods and services from Government accounts | 0 |
| 25.4 Operation of GOCOS | 0 |
| 25.5 Research and development contracts | 0 |
| 26 Supplies and materials | 0 |
| 31 Equipment | 0 |
| 32 Lands and structures | 0 |
| 33 Investments and loans | 0 |
| 41 Grants, subsidies and contributions | 0 |
| 42 Insurance claims and indemnities | 0 |
| 43 Interest and dividends | 0 |
| 44 Refunds | 0 |
| ----- | ----- |
| 99 Total obligations | 270 |

Exhibit 10

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
 (Dollar amounts in thousands)

| Resource Development:
Private Sector..... | Pos./BA
FTE/Obl. | 1993
Actual | 1994
Currently
Available | | 1995
Base | | 1995
Estimate | | Increase/
(Decrease)
Over 1995 Base |
|--|---------------------|----------------|--------------------------------|-----------|--------------|-----------|------------------|-----------|---|
| | | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| | | 14 | 1,761 | 14 | 1,881 | 14 | 1,683 | 14 | 2,623 |
| | | 12 | 2,086 | 13 | 1,973 | 13 | 1,683 | 13 | 2,623 |
| Total | Pos./BA
FTE/Obl. | 14 | 1,761 | 14 | 1,881 | 14 | 1,683 | 14 | 2,623 |
| | | 12 | 2,086 | 13 | 1,973 | 13 | 1,683 | 13 | 2,623 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 JUSTIFICATION OF PROGRAM AND PERFORMANCE (By Subactivity)
 (Dollar Amounts in Thousands)

Activity: Resource Development
 Subactivity: Private Sector

Goals and Objectives (For FY 1995)

Goal:

To increase minority representation in the economy by facilitating participation in high-growth, non-traditional business sectors.

Objective:

To design and promote program initiatives which will complement and enhance the services of the MBDA delivery system.

Base Program (FY 1995)

The role of the Private Sector activity is to develop national program initiatives in targeted market areas such as, Capital Development, Tourism, International Trade for implementation by locally funded projects. The major emphases are to increase the number of MBEs and to create jobs.

Capital Development

Lack of access to capital continues to be a significant barrier to minority business development. Much of this lack of access comes from risk perceptions by the lending community. MBDA's capital development activity focuses on increasing minority access to capital through information dissemination and cooperation with the Small Business Administration, the Securities and Exchange Commission, the Federal Reserve System and the Comptroller of the Currency. MBDA proposes to develop prototype criteria for regulatory classification of business loans which will be shared with agencies that have lending programs. This prototype will take into consideration location, collateral, quality and knowledge of the community and should ease the relatively high risk perception generally attributed to small and minority firms.

One of the primary inhibitors to the suppliers of capital is the absence of a standard, national secondary market. Such a secondary market could enhance the liquidity of minority business investment and encourage lending and investing. This increased lending activity would result in the development of new businesses and the creation of jobs. MBDA supports the development of a national secondary market. This activity will require the development of investment criteria and discounting or guaranty standards.

MBDA recently conducted an assessment of the surety bond industry requirements and practices. One of the recommendations to allay the negative perception of minority firms was the promotion and development of councils comprised of Bond Producers, Surety Companies, Guarantors and MBE advocates. Another recommendation was that MBDA provide this information to its delivery system. MBDA conducted seminars and is now developing Bonding Councils working through its delivery system.

Market Development

MBDA has been working with the International Trade Administration (ITA) to jointly sponsor international trade missions and provide follow-up workshops in selected locations throughout the country. The trade missions included one delegation to the Persian Gulf which resulted in 459 sales leads and \$3.5 million in export sales and two delegations to Mexico which created over 200 sales leads, a \$40 million contract, a joint venture and the opening of a foreign sales office in Mexico. Minority businesses will continue to be trained in international trade related activities. In conjunction with the SBA, the Agency for International Development and the Export-Import Bank, the MBDA will promote minority firms and products through trade missions and other market opportunities. In addition, MBDA and the Economic Development Administration will participate in a joint funding effort to provide training for increasing the export of Native American Indian products.

Travel and tourism represents a \$350 billion high-growth industry which offers tremendous business opportunities for minority firms. In 1990, international travel to the U.S. yielded nearly 40 million travelers and \$52.8 billion in expenditures. Minority entrepreneurs can offer cultural and language commonalities with international tourists. In cooperation with the U.S. Travel and Tourism Agency (USTTA), MBDA will identify market opportunities, facilitate the entry of minority-owned firms into the market, and develop a tourism infrastructure based upon minority history, culture and recreational facilities. The products of this initiative will include the development of case studies to promote travel and tourism.

Telecommunications offers one of the most viable opportunities for developing and expanding minority businesses because it has consistently produced technology that is useful to consumers and attractive to investors. Past MBDA efforts in telecommunications have included: research and market analysis of opportunities and dissemination of this information with our BDC network and the minority business community through informational seminars; COMTRAIN - an MBDA funded program successfully provides on-the-job training experience to new minority radio and television station owners for building viable minority-owned broadcast enterprises. The program will soon reach its goal of training 25 station owners and will no longer need MBDA funding for its continuation. TELECAP is a project to enable minority business

persons and firms to more easily access the telecommunications industry. Since capital availability significantly affects the formation of minority businesses, the primary intent of Phase I of TELECAP is to develop a model(s) for capital accumulation and investment. Phase II will inform the MBE community of the results and benefits of this research, and Phase III will provide MBDCs with training on how to use it to assist MBEs.

Performance Measures

| | <u>FY 1993</u> | <u>FY 1994</u> | <u>FY 1995</u> |
|---|----------------|----------------|----------------|
| <u>Capital Development</u> | | | |
| Training seminars conducted for MBDC | | | |
| clients | 0 | 6 | 6 |
| No. of attendees | 0 | 200 | 200 |
| Travel and Tourism | | | |
| No. of Multi-ethnic tourism | | | |
| conferences conducted | 6 | 6 | 6 |
| No. of attendees | 40 | 40 | 40 |
| <u>Markets Development</u> | | | |
| Franchise development seminars | 56 | 44 | --- |
| No. of attendees | 2800 | 1200 | --- |
| Number of Trade Missions | 3 | 2 | 2 |
| No. of MBEs assisted | 50 | 40 | 40 |
| International Trade training | | | |
| seminars/conferences | 4 | 12 | 8 |
| No. of MBEs trained | 100 | 180 | 180 |
| Telecommunications seminars | | | |
| conducted | 3 | 6 | 6 |
| No. of attendees | 50 | 100 | 100 |
| No. of Prospective firms with | | | |
| capacity to manage portfolio | 0 | 5 | --- |
| No. of Prospective | | | |
| Telecommunications owners trained | 0 | --- | 15 |

Department of Commerce
Minority Business Development Agency
Minority Business Development
INCREASE FOR 1995
(Dollars amounts in thousands)

| | 1995 Base | | 1995 Estimate | | Increase
(Decrease)
Personnel Amount |
|--|-----------|-------------------|---------------|-------------------|--|
| | Personnel | Amount | Personnel | Amount | |
| Private Sector.....Pos./BA
FTE/Obl. | 14
13 | \$ 1,683
1,683 | 14
13 | \$ 2,623
2,623 | 0
0
\$ 940
940 |

Capital Development Increase (0 FTE, 0 Positions, \$940,000)

Access to capital continues to be a significant barrier to the development and successful operation of minority owned businesses. A Capital Development Program increase of \$940 thousand is requested to address the problem of access to capital from the perspectives of equity and debt financing and surety bonding.

For MBDA's equity initiative, the agency requests \$440,000 to initiate development of portfolio pricing and valuation standards for marketing the resale of minority business related commercial and industrial loans. The development of a resale (secondary) market will enhance the liquidity of lenders and stimulate the availability of funds for lending to minority businesses. For example, the creation of such resale institutions as FANNIE MAE, GINNIE MAE and FREDDIE MAC have significantly increased the availability of funds and the number of lending institutions to both the mortgage market and SBA lending. MBDA proposes to contract with a financial research institution to develop appropriate methodology and to analyze capital asset pricing models as a precursor to the development of a secondary market.

For the debt initiative, MBDA is requesting \$250 thousand for: 1) agreements with Conventional Financial Institutions (CFIs) and regulatory agencies specific to the business investment portion of community reinvestment act and loan rating, rating criteria and loan performance evaluation to give the banking industry clear guidelines of regulatory acceptance and therefore assist in generating community investments; 2) agreements with selected CFIs to increase exposure to and gain familiarity with their minority communities which will help reduce the cost of processing and evaluating MBE loan applications and, through greater cooperation with the MBDC network make those loans more competitive, 3) sponsoring a national symposium for state and local development agencies to encourage the formation of alternative credit sources and establishing standardized lending criteria.

For our Bonding initiative, MBDA is requesting \$250 thousand to establish a Bonding Development Council similar to the functional component of the Chicago Mega Center where it has been successful in increasing the access of MBEs to surety bonding sources. The principal strategy is to establish a panel comprised of underwriters to review and revise the form and content of previously rejected surety applications and then to recommend the appropriate action.

Performance Measures:

| <u>Capital Development</u> | <u>FY 1995</u> | <u>FY 1996</u> | <u>FY 1997</u> | <u>FY 1998</u> | <u>FY 1999</u> |
|---|----------------|----------------|----------------|----------------|----------------|
| Development of
Securitized Portfolio/
Valuation Methodology | 1 | 1 | 1 | 1 | 1 |
| No. of MOUs (Bank and Regulatory) .. | 4 | 2 | 2 | 2 | 2 |
| No. of Bond Development Council(s) . | 1 | 1 | 1 | 1 | 1 |

Costs:

| | | | | | |
|------------------------|-----|-----|-----|-----|-----|
| Direct Obligations | | | | | |
| Capitalized | 0 | 0 | 0 | 0 | 0 |
| Uncapitalized | 940 | 940 | 940 | 940 | 940 |
| Total | 940 | 940 | 940 | 940 | 940 |
| Budget Authority | 940 | 940 | 940 | 940 | 940 |
| Outlays | 478 | 886 | 940 | 940 | 940 |
| Positions..... | 0 | 0 | 0 | 0 | 0 |
| FTE | 0 | 0 | 0 | 0 | 0 |

Exhibit 15

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM CHANGE DETAIL BY OBJECT CLASS
 (Dollar Amounts in thousands)

| | | |
|---|--|--------------------------------|
| Activity: Resource Development | | |
| Subactivity: Private Sector | | |
| Object Class | | 1995
Increase
(Decrease) |
| ----- | | ----- |
| 11 Personnel compensation | | 0 |
| 11.1 Full-time permanent | | 0 |
| 11.3 Other than full-time permanent | | 0 |
| 11.5 Other personnel compensation | | 0 |
| 11.8 Special personnel services payments | | ----- |
| 11.9 Total personnel compensation | | 0 |
| 12.1 Civilian personnel Benefits | | 0 |
| 13 Benefits for former personnel | | 0 |
| 21 Travel and transportation of persons | | 0 |
| 22 Transportation of things | | 0 |
| 23.1 Rental payments to GSA | | 0 |
| 23.2 Rental payments to others | | 0 |
| 23.3 Communications, utilities and miscellaneous charges | | 0 |
| 24 Printing and reproduction | | 0 |
| 25.1 Consulting services | | 0 |
| 25.2 Other services | | 940 |
| 25.3 Purchases of goods and services from Government accounts | | 0 |
| 25.4 Operation of GOCOs | | 0 |
| 25.5 Research and development contracts | | 0 |
| 26 Supplies and materials | | 0 |
| 31 Equipment | | 0 |
| 32 Lands and structures | | 0 |
| 35 Investments and loans | | 0 |
| 41 Grants, subsidies and contributions | | 0 |
| 42 Insurance claims and indemnities | | 0 |
| 43 Interest and dividends | | 0 |
| 44 Refunds | | 0 |
| 99 Total obligations | | ----- |
| | | 940 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
 (Dollar amounts in thousands)

| 1993
Actual | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
(Decrease)
Over 1995 Base |
|------------------|--------------------------------|------------------|------------------|---|
| Personnel Amount | Personnel Amount | Personnel Amount | Personnel Amount | Personnel Amount |
| 7 526 | 7 448 | 7 468 | 7 468 | 0 0 |
| 6 634 | 7 450 | 7 468 | 7 468 | 0 0 |
| 7 526 | 7 448 | 7 468 | 7 468 | 0 0 |
| 6 634 | 7 450 | 7 468 | 7 468 | 0 0 |

Advocacy, Research
 & Information:

Advocacy..... Pos./BA
 FTE/Obl.
 Total Pos./BA
 FTE/Obl.

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 JUSTIFICATION OF PROGRAM AND PERFORMANCE (By Subactivity)

Activity: Advocacy, Research and Information

Subactivity: Advocacy

Goals and Objectives (for FY 1995)

Goal: To encourage and increase the participation of minority businesses in the economy by promoting the awareness of opportunities and rewards of and for minority business development.

Objectives:

- . To enhance the visibility and public awareness of MBDA mission.
- . To advocate public awareness of the diversity, competitiveness and quality of goods and services provided by minority businesses and the contributions they make to the nation's economy.
- . To provide up-to-date information on or to Minority Business Enterprises (MBEs) helpful in their growth, and job creation.
- . To promote the MBDC national network of centers which will provide quality technical and management assistance to minority firms.

Base Program (FY 1995)

MBDA's advocates the growth and the expansion of minority business, encourages minority entrepreneurs to participate in public and private business sectors and creates an awareness of domestic and global market opportunities. These efforts are coordinated and supported from MBDA's headquarters and its regional network of field offices and program support services.

The following are examples of MBDA's Advocacy activities:

- ▶ Publicize business successes and accomplishments of minority businesses to the general business community.
- ▶ Market and promote all MBDA programs and national initiatives through mass media, institutions of higher learning, federal, state and local governments, civic, fraternal, and trade associations.
- ▶ Develop, design, publish and disseminate the Legislative Updates, as well as other minority business support publications.

- Develop, update and disseminate brochures, pamphlets, videos, public service announcements, press releases and other support informational products available to and from the new generation of MBDA Business Development Centers.

The Minority Enterprise Development Week (MED Week) celebration is a national observance of the economic and cultural achievements of minority entrepreneurs. More than 1,000 representatives from corporate America, government entities, minority business and trade associations meet in Washington, D.C. to network information, resources and procurement opportunities. A minority vendors procurement Trade Fair is held where representatives of corporations and government entities are available to provide guidance and counsel to minority business representatives on accessing procurement and other business growth opportunities.

An annual Executive proclamation has been issued for the past ten years to observe MED Week during the first week of October. MBDA regional offices and MBDA Business Development Centers throughout the country hold local celebrations which unite the efforts of local business leaders to strengthen local MBE entrepreneurial development. MED Week recognizes minority business leaders for their achievements. Traditionally Presidential achievement awards are presented to outstanding minority entrepreneurs. Members of Congress and their staffs also participate in MED Week, annually hosting an MBE reception on Capitol Hill.

MBDA headquarters supplies most of the printed materials required by the six Regional Offices, four district offices and the entire MBDC system in support of the overall mission of the Agency. In FY 1995, to reduce administrative costs and meet the Agency's public affairs requirements, MBDA will reduce printing handling and shipping costs by consolidating the information now contained in 10 separate brochures or leaflets into fewer documents.

FY 1993

FY 1994

FY 1995

Performance Measures:

Advocacy

| | | | |
|--|----|----|----|
| Brochures | 5 | 7 | 7 |
| Public Service Advertisements ... | 20 | 20 | 30 |
| (TV stations, newspapers,
major market radio stations | | | |
| Exhibits/Displays..... | 21 | 10 | 24 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
 (Dollar amounts in thousands)

| | 1993
Actual | | 1994
Currently
Available | | 1995
Base | | 1995
Estimate | | Increase/
(Decrease)
Over 1995 Base |
|---|----------------|--------|--------------------------------|--------|--------------|--------|------------------|--------|---|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount | |
| Advocacy, Research
& Information:
Research..... | 8 | 1,093 | 8 | 1,109 | 8 | 1,134 | 8 | 1,639 | 0 505 |
| | 7 | 1,625 | 8 | 1,113 | 8 | 1,134 | 8 | 1,639 | 0 505 |
| Total | 8 | 1,093 | 8 | 1,109 | 8 | 1,134 | 8 | 1,639 | 0 505 |
| | 7 | 1,625 | 8 | 1,113 | 8 | 1,134 | 8 | 1,639 | 0 505 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 JUSTIFICATION OF PROGRAM AND PERFORMANCE (By Subactivity)
 (Dollar Amounts in Thousands)

Activity: Advocacy, Research and Information
 Subactivity: Research

Goals and Objectives (for FY 1995)

Goal:

Provide MBDA management with objective knowledge about the minority business development process necessary for making informed and cost effective decisions about policies and programs.

Objectives:

Use professional research techniques to identify national and local minority business development needs, including (1) the status, trends and performance of minority-owned businesses; (2) constraints to development, market opportunities and resources necessary for development; and (3) appropriate program delivery networks. Assess existing minority business development programs and determine the extent to which those programs meet minority business needs.

Base Program (FY 1995)

In FY 1995, the Research Program will initiate studies to be used as the basis of new program initiatives in the areas of preparing minority youth for entrepreneurship and microenterprise development.

Preparing Minority Youth for Entrepreneurship. Previous studies concerning the attitudes of minority youth toward entrepreneurship indicate that they have fairly positive perceptions of business ownership and are more inclined to consider it as a viable career choice than has been assumed. But more research needs to be done to confirm these trends, determine how many youth are potential entrepreneurs, and discover what preparations they are making for such careers. We need to know more about the formal and informal education/training in entrepreneurship available to them, including school curricula, mentoring programs, training agencies, enterprise clubs, etc. MBDA could utilize this information to develop a special emphasis on encouraging minority young people to prepare for entrepreneurial careers,

so critical for future MBE growth since today's youth will be the minority business owners of the 21st century. This project would include establishment of a data base of a sample of minority youth to track their progress in business ownership and assess the impact of specialized entrepreneurship development programs.

Microenterprise Program Development. There are now estimated to be over 100 microenterprise programs in the United States, most of them established only recently and modeled after similar programs created in other countries. They provide an opportunity to begin a small business for poor, disadvantaged, and minority individuals who would not have the financial capital or business expertise to do so otherwise. Each program typically offers loans of a few thousand dollars to participants who have little or no collateral and puts them together with similar borrowers in small groups. They analyze each other's business methods and discuss mutual problems encountered in running an enterprise, while often having access to additional training. MBDA would research these programs to determine elements of successful programs and develop strategies for leveraging its resources through microenterprise programs that can reach initial small scale MBEs otherwise underserved by the Agency. Typically MBDA would provide technical assistance to a community to establish and operate a microenterprise program, while the loan pool would be generated within the community.

Current Activities and Future Directions

In 1990 the agency undertook an evaluation of the business centers aimed at surfacing adjustments needed to improve the delivery of management and technical assistance.

In 1991 the agency designed research contracts assessing major state and local government and private sector programs for minority business development and what new directions, if any need to be taken as a result of this research. These contracts were awarded in Fiscal Year 1992. The research staff initiated several internal staff studies including rural business development and Native American business development. The staff also completed an assessment of the agency's nationwide business information systems.

During FY 1992 a staff paper was completed on the relationship between education/training and minority business development. The staff also began a National Minority Business Development Needs Assessment project which will use the results of research studies, Census Data, U.S. Commission on Minority Business Development reports and other sources to document business development needs and alternative program directions for the agency. An independent analysis of the service delivery system was contracted to assist MBDA move in the direction of the MBEA Center concept and to make the MBDC program more market driven. This contract also started the first phase of local supply and demand studies for each of the agency's projected service areas.

In FY 1993 the research staff continued the National Needs Assessment project using new Census Bureau data on minority business owners. A contract was awarded to complete the second phase of the local supply and demand project with studies on thirty business center areas. The third phase of local supply and demand studies is being contracted in

FY 1994 to complete the remaining sixty service areas. In FY 1994 the staff will complete a national minority business development needs assessment with alternative recommendations for MBDA policy and program directions, a comprehensive review of minority business information needs and an assessment of the MEGA center projects.

The FY 1995 base level will be used to initiate program development studies in the areas of preparing minority youth for entrepreneurship and microenterprise development.

Research studies and surveys based on requirements developed by research staff are contracted with public and private sector organizations and institutions. The Research staff will direct the program, manage contracts, complete internal studies on priority areas as determined by management and make policy and program recommendations to management.

FY 1993 FY 1994 FY 1995

Performance Measures:

Research

| | | |
|--|----|----|
| Number of research reports and policy studies initiated and/or completed | 30 | 34 |
|--|----|----|

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 INCREASE FOR 1995
 (Dollars amounts in thousands)

| | 1995 Base | | 1995 Estimate | | Increase
(Decrease) |
|----------------------------------|-----------|-------------------|---------------|-------------------|------------------------|
| | Personnel | Amount | Personnel | Amount | Personnel Amount |
| Research.....Pos./BA
FTE/Obl. | 8
8 | \$ 1,134
1,134 | 8
8 | \$ 1,639
1,639 | 0
0 |
| | | | | | \$ 505
505 |

Research Study (0 FTE, 0 Positions, \$505,000)

Minority business owners and minority business development practitioners assert that racial and ethnic discrimination continues to be a barrier to full access to commercial lending markets. While there is some anecdotal and statistical evidence in support of this, there has never been a conclusive and convincing analysis of this problem to guide and implement public policy.

For the research subactivity, MBDA is requesting \$505 thousand to fund a study on Commercial Lending Market Discrimination. This project is a critical component of Secretary Brown's stated objective to increase the availability of capital for minority firms. MBDA will be the lead agency and will leverage additional funds from interested bank regulators such as the Federal Reserve Bank. Several agencies have expressed interest in participating with MBDA.

This project will be a comprehensive and in-depth analysis of discrimination in commercial lending markets using methodology similar to what has been used in recent years to document discrimination in housing and labor markets. Findings and evidence from this study will be transmitted to the President and Congress. It will also be used to guide MBDA's capital development programs bringing more banks into partnership with MBDA. While this study will not ensure enforcement, it should prove to be a powerful tool in providing more access to capital by bringing the Community Reinvestment Act focus to commercial lending.

Exhibit 15

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM CHANGE DETAIL BY OBJECT CLASS
 (Dollar Amounts in thousands)

Activity: Advocacy, Research, & Information
 Subactivity: Research

| Object Class | 1995
Increase
(Decrease) |
|---|--------------------------------|
| ----- | ----- |
| 11 Personnel compensation | 0 |
| 11.1 Full-time permanent | 0 |
| 11.3 Other than full-time permanent | 0 |
| 11.5 Other personnel compensation | 0 |
| 11.8 Special personnel services payments | 0 |
| ----- | ----- |
| 11.9 Total personnel compensation | 0 |
| 12.1 Civilian personnel Benefits | 0 |
| 13 Benefits for former personnel | 0 |
| 21 Travel and transportation of persons | 0 |
| 22 Transportation of things | 0 |
| 23.1 Rental payments to GSA | 0 |
| 23.2 Rental payments to others | 0 |
| 23.3 Communications, utilities and miscellaneous charges | 0 |
| 24 Printing and reproduction | 0 |
| 25.1 Consulting services | 0 |
| 25.2 Other services | 0 |
| 25.3 Purchases of goods and services from Government accounts | 505 |
| 25.4 Operation of GOCOs | 0 |
| 25.5 Research and development contracts | 0 |
| 26 Supplies and materials | 0 |
| 31 Equipment | 0 |
| 32 Lands and structures | 0 |
| 33 Investments and loans | 0 |
| 41 Grants, subsidies and contributions | 0 |
| 42 Insurance claims and indemnities | 0 |
| 43 Interest and dividends | 0 |
| 44 Refunds | 0 |
| ----- | ----- |
| 99 Total obligations | 505 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
 (Dollar amounts in thousands)

| 1993
Actual | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
(Decrease)
Over 1995 Base |
|------------------|--------------------------------|------------------|------------------|---|
| Personnel Amount | Personnel Amount | Personnel Amount | Personnel Amount | Personnel Amount |
| 19 1,032 | 19 1,060 | 19 1,101 | 19 1,101 | 0 0 |
| 17 980 | 18 1,066 | 18 1,101 | 18 1,101 | 0 0 |
| 19 1,032 | 19 1,060 | 19 1,101 | 19 1,101 | 0 0 |
| 17 980 | 18 1,066 | 18 1,101 | 18 1,101 | 0 0 |

Advocacy, Research
 & Information:

Information Pos./BA
 FTE/Obl.

Total Pos./BA
 FTE/Obl.

Department of Commerce
Minority Business Development Agency
Minority Business Development
JUSTIFICATION OF PROGRAM AND PERFORMANCE
(Dollar amounts in thousands)

Activity: Advocacy, Research and Information
Subactivity: Information

Goals and Objectives (for FY 1995)

Goal:

To promote the development of minority-owned businesses by providing timely information to the public and private sectors and to minority-owned firms.

Objectives:

- . To provide the MBDA service delivery system with modern telecommunications and computer technology for use in collecting and reporting information.
- . To move toward a national automated environment for minority business assistance through effective use of information technology.
- . To disseminate information about minority-owned businesses to private sector and public sector purchasing officials.
- . To improve internal management productivity, efficiency, and effectiveness.

Base Program (FY 1995)

MBDA has established an Information Program in compliance with the provisions of the Paperwork Reduction Act. This program provides direction, training, and technical assistance to the MBDA delivery system and the Agency in effectively using telecommunications, computer data bases, microcomputers, and other information technology. In addition, the program is responsible for improving the internal management, productivity, efficiency, and effectiveness of the Agency through automation and the reduction of paperwork. This will continue to result in more efficient and less costly processing and management of information.

The Information Program provides a nationwide telecommunications network that links together the delivery system with MBDA headquarters and the regional offices. It also provides for management of: (1) software and computer technology used by MBDA, and (2) the Business Information Support contracts and computer technology that are funded as part of the Enterprise Development Program and used by the delivery system. The Information Program also includes the continued development and operation of various MBDA computer systems including those which collect performance data from the MBDA delivery system, and the Automated Business Enterprise Locator System (ABELS) that is used to locate minority-owned firms for consideration as potential suppliers of goods and/or services to the private sector, Federal agencies, and others.

FY 1993 FY 1994 FY 1995

Performance Measures:

Information

| | | | |
|---|--------|--------|--------|
| Number of minority-owned firms registered
in the ABELS data base | 17,000 | 17,000 | 18,000 |
|---|--------|--------|--------|

Exhibit 16

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 SUMMARY OF REQUIREMENTS BY OBJECT CLASS
 (Dollar Amounts in thousands)

| Object Class | 1993
Actuals | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|---|-----------------|--------------------------------|--------------|------------------|-------------------------|
| 11 Personnel compensation | | | | | |
| 11.1 Full-time permanent | \$7,874 | \$8,451 | \$8,888 | \$8,652 | (\$236) |
| 11.3 Other than full-time permanent | 75 | 140 | 146 | 146 | 0 |
| 11.5 Other personnel compensation | 250 | 50 | 50 | 50 | 0 |
| 11.8 Special personnel services payments | 0 | 0 | 0 | 0 | 0 |
| 11.9 Total personnel compensation | 8,199 | 8,641 | 9,084 | 8,848 | (236) |
| 12.1 Civilian personnel Benefits | 1,714 | 1,954 | 2,081 | 2,051 | (30) |
| 13 Benefits for former personnel | 25 | 0 | 0 | 0 | 0 |
| 21 Travel and transportation of persons | 207 | 342 | 349 | 349 | 0 |
| 22 Transportation of things | 9 | 22 | 22 | 22 | 0 |
| 23.1 Rental payments to GSA | 1,707 | 1,757 | 1,793 | 1,793 | 0 |
| 23.2 Rental payments to others | 20 | 26 | 25 | 25 | 0 |
| 23.3 Commun., util., misc. charges | 332 | 246 | 246 | 246 | 0 |
| 24 Printing and reproduction | 154 | 108 | 111 | 111 | 0 |
| 25.1 Consulting services | 0 | 0 | 0 | 0 | 0 |
| 25.2 Other services | 3,911 | 2,601 | 2,177 | 3,383 | 1,206 |
| 25.3 Purchases of goods and services from Government accounts | 3,413 | 3,196 | 3,268 | 4,043 | 775 |
| 25.4 Operation of GOCOs | 0 | 0 | 0 | 0 | 0 |
| 25.5 Research and development contracts | 65 | 50 | 51 | 51 | 0 |
| 26 Supplies and materials | 113 | 10 | 10 | 10 | 0 |
| 31 Equipment | 0 | 0 | 0 | 0 | 0 |
| 32 Lands and structures | 0 | 0 | 0 | 0 | 0 |
| 33 Investments and loans | 0 | 0 | 0 | 0 | 0 |
| 41 Grants, subsidies and contributions | 23,846 | 25,230 | 23,571 | 23,801 | 230 |
| 42 Insurance claims and indemnities | 0 | 0 | 0 | 0 | 0 |
| 43 Interest and dividends | 0 | 0 | 0 | 0 | 0 |
| 44 Refunds | 0 | 0 | 0 | 0 | 0 |
| Total Direct Obligations | 43,715 | 44,183 | 42,788 | 44,733 | 1,945 |
| Reimbursable Obligations | 0 | 1,500 | 1,500 | 1,500 | 0 |
| TOTAL OBLIGATIONS | 43,715 | 45,683 | 44,288 | 46,233 | 1,945 |

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Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 SUMMARY OF REQUIREMENTS BY OBJECT CLASS
 (Dollar Amounts in thousands)

Exhibit 16

Personnel financed from direct obligations

 Full-time Equivalent Employment:
 Full-time permanent
 Other than full-time permanent
 Total
 Authorized Positions:
 Full-time permanent
 Other than full-time permanent
 Total

| | 1993
Actuals | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|--|-----------------|--------------------------------|--------------|------------------|-------------------------|
| | 171 | 186 | 186 | 183 | (3) |
| | 4 | 4 | 4 | 4 | 0 |
| | 175 | 190 | 190 | 187 | (3) |
| | 209 | 209 | 209 | 206 | (3) |
| | 16 | 16 | 16 | 16 | 0 |
| | 225 | 225 | 225 | 222 | (3) |

HEDA-62

Department of Commerce
Minority Business Development Agency
Minority Business Development
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar Amounts in thousands)

Exhibit 17

| Object Class | 1995
Adjustment
to Base | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|---|-------------------------------|--------------|------------------|-------------------------|
| 11 Personnel compensation | | | | |
| 11.1 Full-time permanent | | | | |
| Executive level | \$0 | \$0 | \$0 | \$0 |
| Senior executive service | 24 | 560 | 560 | 0 |
| General schedule | 413 | 8,328 | 8,092 | (236) |
| Commissioned officers | 0 | 0 | 0 | 0 |
| Wage board/wage marine | 0 | 0 | 0 | 0 |
| Scientific & professional (P.L. 80-313) | 0 | 0 | 0 | 0 |
| Examiners of patent appeals (P.L. 82-593, 98-622) | 0 | 0 | 0 | 0 |
| Examiners of trademark appeals (P.L. 98-622) | 0 | 0 | 0 | 0 |
| Senior foreign service | 0 | 0 | 0 | 0 |
| Foreign service staff | 0 | 0 | 0 | 0 |
| Foreign service nationals | 0 | 0 | 0 | 0 |
| Consultants & experts | 0 | 0 | 0 | 0 |
| Students | 0 | 0 | 0 | 0 |
| Subtotal | 437 | 8,888 | 8,652 | (236) |
| 11.3 Other than full-time permanent | | | | |
| General schedule | 6 | 146 | 146 | 0 |
| Wage board | 0 | 0 | 0 | 0 |
| Experts & consultants | 0 | 0 | 0 | 0 |
| Hourly | 0 | 0 | 0 | 0 |
| Subtotal | 6 | 146 | 146 | 0 |
| 11.5 Other personnel compensation | | | | |
| Overtime | 0 | 50 | 50 | 0 |
| SES performance awards | 0 | 0 | 0 | 0 |
| Cash awards | 0 | 0 | 0 | 0 |
| Merit pay awards | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 50 | 50 | 0 |

Department of Commerce
Minority Business Development Agency
Minority Business Development
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar Amounts in thousands)

Exhibit 17

| Object Class | 1995
Adjustment
to Base | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|--|-------------------------------|--------------|------------------|-------------------------|
| ----- | ----- | ----- | ----- | ----- |
| 11.8 Special personnel services payments | | | | |
| Foreign service officers (State) | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 | 0 |
| ----- | ----- | ----- | ----- | ----- |
| 11.9 Total personnel compensation | 443 | 9,084 | 8,848 | (236) |
| 12.1 Civilian personnel benefits | | | | |
| Civil service retirement | 48 | 449 | 437 | (12) |
| Federal employees' retirement | (31) | 339 | 330 | (9) |
| Thrift savings plan | (4) | 53 | 52 | (1) |
| Federal insurance contribution act | 1 | 292 | 285 | (7) |
| Health insurance | 43 | 663 | 663 | 0 |
| Life insurance | 1 | 23 | 22 | (1) |
| Employees' compensation fund | 69 | 262 | 262 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Subtotal | 127 | 2,081 | 2,051 | (30) |
| ----- | ----- | ----- | ----- | ----- |
| 13 Benefits for former personnel | | | | |
| Severance pay | 0 | 0 | 0 | 0 |
| Unemployment compensation | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 | 0 |
| ----- | ----- | ----- | ----- | ----- |
| 21 Travel and transportation of persons | | | | |
| Common carrier | 0 | 170 | 170 | 0 |
| Mileage | 0 | 14 | 14 | 0 |
| Per diem/actual | 7 | 151 | 151 | 0 |
| Vehicular | 0 | 14 | 14 | 0 |
| Other | 0 | 0 | 0 | 0 |
| (Overseas estimates) | 0 | 0 | 0 | 0 |
| Subtotal | 7 | 349 | 349 | 0 |

Department of Commerce
Minority Business Development Agency
Minority Business Development
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar Amounts in thousands)

Exhibit 17

| Object Class | 1995
Adjustment
to Base | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|--|-------------------------------|--------------|------------------|-------------------------|
| 22 Transportation of things
[Overseas estimates] | 0 | 22 | 22 | 0 |
| 23.1 Rental payments to GSA | 0 | 0 | 0 | 0 |
| 23.2 Rental payments to others | 36 | 1,793 | 1,793 | 0 |
| 23.3 Communications, utilities and miscellaneous charges | (1) | 25 | 25 | 0 |
| Rental of ADP equipment | 0 | 0 | 0 | 0 |
| Rental of office copying equipment | 0 | 0 | 0 | 0 |
| Other equipment rental | 0 | 0 | 0 | 0 |
| Federal telecommunications system | 0 | 6 | 6 | 0 |
| Other telecommunications services | 0 | 90 | 90 | 0 |
| Postal Service by USPS | 0 | 75 | 75 | 0 |
| Other | 0 | 75 | 75 | 0 |
| [Overseas estimates] | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 246 | 246 | 0 |
| 24 Printing and reproduction | | | | |
| Publications | 2 | 32 | 32 | 0 |
| Public use forms | 0 | 6 | 6 | 0 |
| Envelopes | 0 | 3 | 3 | 0 |
| Other | 1 | 70 | 70 | 0 |
| [Payments to GA, WCF] | [3] | [94] | [94] | 0 |
| [Overseas estimates] | 0 | 0 | 0 | 0 |
| Subtotal | 3 | 111 | 111 | 0 |
| 25 Consulting and other services | | | | |
| 25.1 Consulting services | | | | |
| Management & professional services | 0 | 0 | 0 | 0 |
| Studies, analyses, & evaluations | 0 | 0 | 0 | 0 |
| Engineering & technical services | 0 | 0 | 0 | 0 |
| [Overseas estimates] | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 | 0 |

Department of Commerce
Minority Business Development Agency
Minority Business Development
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar Amounts in thousands)

Exhibit 17

971

| Object Class | 1995
Adjustment
to Base | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|--|-------------------------------|--------------|------------------|-------------------------|
| 25.2 Other services | | | | |
| Training: | | | | |
| University | | | | |
| Other | 0 | 3 | 3 | 0 |
| Maintenance of equipment | 0 | 5 | 5 | 0 |
| ADP services | 0 | 90 | 90 | 0 |
| Telecommunications services | 0 | 50 | 50 | 0 |
| Other non-government contracts | 0 | 0 | 0 | 0 |
| Other | 0 | 8 | 274 | 266 |
| [Overseas estimates] | (242) | 2,021 | 2,961 | 940 |
| | 0 | 0 | 0 | 0 |
| Subtotal | (242) | 2,177 | 3,383 | 1,206 |
| 25.3 Purchases of goods and services from Gov't accounts | | | | |
| Office of Personnel Management Training | 0 | 9 | 9 | 0 |
| GSA reimbursable services | 0 | 3 | 3 | 0 |
| Payments to GA, WCF | 72 | 2,248 | 2,248 | 0 |
| Other | 0 | 1,008 | 1,783 | 775 |
| | 72 | 3,268 | 4,043 | 775 |
| Subtotal | 72 | 3,268 | 4,043 | 775 |
| 25.4 Operation of GOCOS | 0 | 0 | 0 | 0 |
| 25.5 Research and development contracts | 0 | 0 | 0 | 0 |
| 26 Supplies and materials | | | | |
| Office supplies | 0 | 24 | 24 | 0 |
| ADP supplies | 1 | 27 | 27 | 0 |
| Other | 0 | 0 | 0 | 0 |
| [Overseas estimates] | 0 | 0 | 0 | 0 |
| | 1 | 51 | 51 | 0 |
| Subtotal | 1 | 51 | 51 | 0 |

Department of Commerce
 Minority Business Development Agency
 Minority Business Development
 DETAILED REQUIREMENTS BY OBJECT CLASS
 (Dollar Amounts in thousands)

Exhibit 17

972

| Object Class | 1995
Adjustment
to Base | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|--|-------------------------------|--------------|------------------|-------------------------|
| 31 Equipment | | | | |
| Office machines and equipment | 0 | 1 | 1 | 0 |
| ADP hardware | 0 | 8 | 8 | 0 |
| ADP software | 0 | 1 | 1 | 0 |
| Other | 0 | 0 | 0 | 0 |
| [Overseas estimates] | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 10 | 10 | 0 |
| 32 Lands and structures | 0 | 0 | 0 | 0 |
| 33 Investments and loans | 0 | 0 | 0 | 0 |
| 41 Grants, subsidies and contributions | 242 | 23,571 | 23,801 | 230 |
| 42 Insurance claims and indemnities | 0 | 0 | 0 | 0 |
| 43 Interest and dividends | 0 | 0 | 0 | 0 |
| 44 Refunds | 0 | 0 | 0 | 0 |
| 99 Total Direct Obligations | 688 | 42,788 | 44,733 | 1,945 |

DEPARTMENT OF COMMERCE
MINORITY BUSINESS DEVELOPMENT AGENCY
Minority Business Development
JUSTIFICATION OF PROPOSED LANGUAGE CHANGES

1. After the words "Provided, That" delete the words "\$800,000 shall be available" through "for business planning and technical assistance".
This change deletes a restriction on our Enterprise Development Activity funds.
2. After the words "Provided, That" add the words "not to exceed \$16,188,000 shall be available for program management for fiscal year 1993".
This change was in the appropriation from FY 1973 to FY 1993 and it limits the amount of funds for program management.

DEPARTMENT OF COMMERCE
MINORITY BUSINESS DEVELOPMENT AGENCY
Minority Business Development
APPROPRIATION LANGUAGE AND CODE CITATIONS

1. For necessary expenses of the Department of Commerce in fostering, promoting, and developing minority business enterprise,

15 U.S.C. 1512

15 U.S.C. 1512 authorizes the Secretary of Commerce to foster, promote and develop business, foreign and domestic. Including expenses of grants, contracts, and other agreements with public or private organizations,

No Specific Authority

This phrase has been in the appropriation since FY 1980 and specifies that program expenses are included in the total appropriation request.

3. \$44,733,000, of which \$28,545,000 shall remain available until expended:

No Specific Authority

31 U.S.C. 718 provides that: "No specific or indefinite appropriation....shall be construed to be permanent or available continuously without reference to a fiscal year....unless it is made in terms expressly providing that it shall continue available beyond the fiscal year for which the Appropriation Act in which it is contained makes provisions".

4. Provided, That not to exceed \$16,188,000 shall be available for program management for fiscal year 1995.

No Specific Authority

This phrase was in the appropriation from FY 1973 until FY 1993 and limits the amount of funds for program management.

PERIODICALS, PAMPHLETS, AND AUDIOVISUAL PRODUCTS
 (Obligations in thousands of dollars)

| | FY 1992
Actual | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|-------------------|-------------------|-------------------|---------------------|---------------------|
| Periodicals..... | 86 | 8 | 8 | 8 |
| Pamphlets..... | 9 | 30 | 22 | 24 |
| Audiovisuals..... | 0 | 0 | 0 | 0 |
| Total..... | 95 | 38 | 30 | 32 |

Executive Order 11625 authorizes the Minority Business Development Agency (MBDA) to provide "for the development, collection, summarization, and dissemination of information that will be helpful to persons and organizations throughout the nation in undertaking or promoting the establishment and successful operation of minority business enterprise." MBDA's Office of External Affairs is responsible for the creation of periodicals, publications, and audiovisuals to carry out the mandate set forth in Executive Order 11625.

Department of Commerce
Minority Business Development Agency
Minority Business Development

Exhibit 36

Average Grade and Salaries

| | FY 1993
Actual
----- | FY 1994
Estimate
----- | FY 1995
Estimate
----- |
|---|----------------------------|------------------------------|------------------------------|
| Average ES salary..... | | | |
| Average GS/GM grade..... | \$104,302 | \$107,718 | \$110,018 |
| Average GS/GM salary..... | 9.46 | 9.46 | 9.41 |
| Total compensable workyears: | \$41,617 | \$43,189 | \$44,010 |
| Full-time equivalent employment..... | 175 | 190 | 187 |
| Full-time equivalent of overtime and holiday hours..... | 1 | 2 | 1 |

Mr. MOLLOHAN. Here testifying on behalf of the MBDA today is the Acting Director, Gilbert Colon. Since this is your first testimony before the committee, Mr. Colon, we will insert your biographical sketch into the record, ask you to introduce the other witnesses at the table, and then proceed with your oral testimony. And, again, your written statement will be made a part of the record.

Mr. COLON. Thank you, Mr. Chairman. I don't know whether it is worse to go first or wait for a couple hours. But nevertheless, I thank you for receiving us this afternoon.

To my left is Harolyn Boulware. She is our Budget Officer for the Minority Business Development Agency.

I am delighted to be here before you. I have been before some of the staff, and I have to say to you that they were kind to me in the past, the first time, and from the questioning that I heard earlier, they prepared their distinguished members quite well. But I am pleased to be here before you to request for the Minority Business Development Agency, \$44,733,000.

I would like to at this time introduce the rest of the team that is here with me today, both a team of appointees and career managers. With me today is Howie Hodges, who is our Assistant Director for Program Development; Eric Jensen, our Acting Assistant Director for External Affairs; Loretta Young, our Acting Assistant Director for Operations; John Walker, Director of our Finance Operation; George Parish, our Executive Officer; and you have already met Harolyn Boulware, our Budget Officer.

As this Administration sees it, minority businesses are the engine of revival to their communities and can be significant contributors to our national economy. Their success will key the next generation of participants in the global marketplace.

My little anecdote would say that really minority businesses are good for our communities, minority businesses are good for America, and really that is the gist of that statement.

This Department under the leadership of Secretary Brown, has already embarked upon a mission of change, changing traditional practices of delivering minority business assistance and aggressively forging new partnerships with private and public sectors—a challenge that is welcomed not only by the Secretary, but by all at the Department of Commerce.

By leveraging a very, very small agency budget and by adhering to the new paradigm of this Administration, we hope to make a significant impact on minority business development.

MBDA, through its resource development activities, will generate \$20 million in procurement opportunities. We will also support 44 franchise development seminars. We will lead three trade missions, sponsor Minority Enterprise Development Week, which is a major event, initiate studies to be used as the basis of new program initiatives in the areas of preparing minority youth for entrepreneurship, and microenterprise development, and maintain a register in the automated business enterprise locator systems, which we call ABELS, a data base of more than 17,000 minority-owned firms.

MBDA is in the process of reinvigorating itself by reassessing and reforming many of its programs in order to better serve the minority business community. MBDA is the only agency in the

Federal government charged with the sole responsibility to promote minority business development.

Our mission is, frankly, service driven. We want to continue to provide management and technical assistance to minority business persons, to assist in business development, and to promote business opportunities for minority businesses.

Let me review very briefly some of the highlights of MBDA's activities. We have an area that we call, and you see in the budget work-up there, Enterprise Development. During fiscal year 1994, MBDA's Minority Business Development Centers, the Minority Enterprise Growth Assistance Center, which is commonly referred to as MEGA Centers, and Native American Business Development Center is a network which will assist over 16,000 clients and create over 1,200 new businesses and employ roughly 4,000 employees.

In addition, MBDA through its funded network, will generate a little bit more than 3,000 procurement opportunities for minority businesses with a value of approximately \$560 million. MBDA will assist in the preparation of approximately 1,600 financial loan packages, which is expected to net a value of over \$330 million.

Let me briefly talk about the pilot project that we had in Chicago, which is the MEGA Center.

We believe that we strengthened the delivery system by beginning this operation in the Chicago area for the first year, last year. The Center supports other MBDCs within a multistate area by offering market-specialized, customer-driven services. The approach is an innovative one. It features specialized management and technical assistance to minority companies seeking to move from a start-up status to a higher plateau.

The success of the pilot concept is allowing MBDA to establish a second MEGA Center in Los Angeles to serve the very special needs of minority businesses in the Pacific States. Therefore, we are requesting almost half a million dollars of increase and redirection of \$1.5 million to continue operating both the Chicago Center and the Los Angeles Center, and perhaps establish a third center to be operational by the end of the fiscal year.

The second area is an area we call Resource Development, and I will try to rush, if you want. I will stop and talk from my gut, if that is okay with you, I will be glad to do that.

Mr. MOLLOHAN. Sure. That would be fine. We will have your prepared statement in the record.

[The biographical sketch and prepared statement of Mr. Colon follow:]



UNITED STATES DEPARTMENT OF COMMERCE
Minority Business Development Agency
 Washington, D.C. 20230

BIOGRAPHY

GILBERT COLÓN ACTING DIRECTOR AND DEPUTY DIRECTOR MINORITY BUSINESS DEVELOPMENT AGENCY U.S. DEPARTMENT OF COMMERCE

Gilbert Colón was named Acting Director and Deputy Director of the U.S. Department of Commerce's Minority Business Development Agency in June 1993.

CAREER CHRONOLOGY

Prior to joining MBDA, Mr. Colón served as Managing Director for Corporate Services at Celadon Technologies in Vienna, Virginia. From 1985 to 1992, he served as Vice President for International Operations, and Assistant Vice President for Administration and Finance at Landmark Systems Corporation, also in Vienna, Virginia. From 1983 to 1985, Mr. Colón served as Administrator for First Assembly of God (Church) in Alexandria, Virginia. In 1981 to 1983, Mr. Colón served as Executive Vice President for Jhoon Rhee Enterprises, in Washington, D.C.

Mr. Colón's previous civil service experience from 1975 to 1981, included Deputy Special Assistant to the President, the White House; Special Assistant to the Deputy Director of the U.S. Office of Personnel Management; and the Assistant to the Commissioner on Aging, U.S. Department of Health, Education and Welfare.

Prior to 1975, Mr. Colón served as Assistant Director of the Technical Assistance Division of the non-profit Community Service Society of New York; Assistant Director of the Puerto Rican Drug Abuse Task Force; Supervisor of the Social Service Department of the Commonwealth of Puerto Rico offices in New York City; and Construction Contractor Coordinator of the East Harlem Redevelopment Corporation.

PERSONAL

Mr. Colón was born in Naguabo, Puerto Rico. He received a Bachelor of Arts degree in Sociology from the City College of New York and a Master of Public Administration degree from Baruch College, City University of New York. He served in the U.S. Army and was awarded a Good Conduct Medal. Mr. Colón, a resident of Springfield, Virginia, is married and has three children.

CIVIC AND PROFESSIONAL AFFILIATIONS

He is currently a member of the Virginia Advisory Committee to the U.S. Commission on Civil Rights, an Elder of First Assembly of God (Church), Trustee, of Southeastern University, Washington, D.C., and a member of the Administrative Management Society.

U. S. DEPARTMENT OF COMMERCE
MINORITY BUSINESS DEVELOPMENT AGENCY
STATEMENT BY THE ACTING DIRECTOR
GILBERT COLÓN
BEFORE THE SUBCOMMITTEE ON STATE,
JUSTICE, COMMERCE, THE JUDICIARY AND
RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
MARCH 14, 1994

MR. CHAIRMAN, AND MEMBERS OF THE SUBCOMMITTEE. I AM PLEASED TO APPEAR BEFORE YOU TODAY IN SUPPORT OF THE MINORITY BUSINESS DEVELOPMENT AGENCY'S (MBDA) 1995 BUDGET REQUEST OF \$44,733,000. LET ME FIRST INTRODUCE MY TEAM OF APPOINTEES AND CAREER MANAGERS THAT ARE NOW IN PLACE. WE ARE DELIGHTED TO BE HERE AS PART OF A NEW MANDATE TO CHANGE THE OPERATIONS OF THE MBDA. WITH ME TODAY ARE C. HOWIE HODGES II, ASSISTANT DIRECTOR FOR PROGRAM DEVELOPMENT, ERIC JENSEN, ACTING ASSISTANT DIRECTOR FOR EXTERNAL AFFAIRS, LORETTA YOUNG, ACTING ASSISTANT DIRECTOR FOR OPERATIONS, JOHN WALKER, DIRECTOR OF FINANCE, GEORGE PARISH, EXECUTIVE OFFICER AND HAROLYN BOULWARE, BUDGET OFFICER.

AS THIS ADMINISTRATION SEES IT, MINORITY BUSINESSES ARE THE ENGINE OF REVIVAL TO THEIR COMMUNITIES AND CAN BE SIGNIFICANT CONTRIBUTORS TO OUR NATIONAL ECONOMY. THEIR SUCCESS WILL KEY THE NEXT GENERATION OF PARTICIPANTS IN THE GLOBAL MARKETPLACE.

THIS ADMINISTRATION, UNDER THE LEADERSHIP OF SECRETARY BROWN AT COMMERCE, IS ALREADY EMBARKED UPON A MISSION OF CHANGE. WE ARE TRADITIONAL PRACTICES OF DELIVERING MINORITY BUSINESS ASSISTANCE AND AGGRESSIVELY FORGING NEW PARTNERSHIPS WITH THE PRIVATE AND THE PUBLIC SECTOR IS A CHALLENGE WELCOMED BY THIS SECRETARY.

BY LEVERAGING A VERY SMALL AGENCY BUDGET AND BY ADHERING TO THE NEW PARADIGM OF THIS ADMINISTRATION, WE HOPE TO MAKE A SIGNIFICANT IMPACT ON MINORITY BUSINESS DEVELOPMENT.

MBDA THROUGH ITS' RESOURCE DEVELOPMENT ACTIVITIES WILL GENERATE \$20 MILLION IN PROCEEDS AND SUPPORT 44 FRANCHISE DEVELOPMENT SEMINARS; LEAD THREE TRADE MISSIONS; SPONSOR THE MINORITY ENTERPRISE DEVELOPMENT WEEK (MED WEEK); INITIATE STUDIES TO BE USED AS THE BASIS OF NEW PROGRAM INITIATIVES IN THE AREAS OF MINORITY YOUTH ENTREPRENEURSHIP TRAINING AND MICROENTERPRISE DEVELOPMENT; AND MAINTAIN A COMPUTER REGISTER IN THE ABELS DATA BASE OF MORE THAN 17,000 MINORITY-OWNED FIRMS TO ASSIST BUSINESSES.

MBDA IS IN THE PROCESS OF REINVIGORATING ITSELF BY REASSESSING AND REFORMING MANY OF ITS PROGRAMS IN ORDER TO BETTER SERVE THE MINORITY BUSINESS COMMUNITY. THE MBDA IS THE ONLY AGENCY IN THE FEDERAL GOVERNMENT CHARGED WITH THE SOLE RESPONSIBILITY TO PROMOTE MINORITY BUSINESS DEVELOPMENT. OUR MISSION IS SERVICE DRIVEN: TO PROVIDE MANAGEMENT AND TECHNICAL ASSISTANCE TO MINORITIES TO ASSIST IN BUSINESS DEVELOPMENT, AND TO PROMOTE BUSINESS OPPORTUNITIES FOR MINORITY BUSINESSES. LET ME REVIEW SOME OF THE HIGHLIGHTS OF MBDA'S ACTIVITIES.

ENTERPRISE DEVELOPMENT

DURING FY 1994, MBDA'S MINORITY BUSINESS DEVELOPMENT CENTERS (MBDC'S), MINORITY ENTERPRISE GROWTH ASSISTANCE (MEGA) CENTERS AND NATIVE AMERICAN BUSINESS DEVELOPMENT CENTERS (NABDC'S) NETWORK WILL ASSIST 16,100 CLIENTS AND CREATE 1,200 NEW

BUSINESSES AND EMPLOY 3,950 EMPLOYEES. IN ADDITION, MBDA WILL GENERATE 3,125 PROCUREMENT OPPORTUNITIES FOR MINORITY BUSINESSES WITH A VALUE OF \$657.9 MILLION. MBDA WILL ALSO ASSIST IN THE PREPARATION OF 1,628 FINANCIAL LOAN PACKAGES, WHICH IS EXPECTED TO NET A VALUE OF \$331.5 MILLION.

MINORITY ENTERPRISE GROWTH ASSISTANCE (MEGA)

CENTERS:

MBDA STRENGTHENED ITS DELIVERY SYSTEM BY BEGINNING THE FIRST YEAR OF OPERATIONS OF THE CHICAGO MEGA CENTER. THE CHICAGO MEGA CENTER SUPPORTS OTHER MBDC'S WITHIN A MULTI-STATE AREA BY OFFERING MARKET-SPECIALIZED, CUSTOMER-DRIVEN SERVICES. THIS INNOVATIVE SERVICE DELIVERY MODEL FEATURES SPECIALIZED MANAGEMENT AND TECHNICAL ASSISTANCE TO MINORITY COMPANIES SEEKING TO MOVE FROM A "START-UP" STATUS TO A HIGHER PLATEAU. THE SUCCESS OF THE PILOT CONCEPT IS ALLOWING MBDA TO ESTABLISH A SECOND MEGA CENTER IN LOS ANGELES TO SERVE THE SPECIAL NEEDS OF MINORITY BUSINESSES IN THE PACIFIC STATES. THEREFORE, WE ARE REQUESTING A \$496,000 INCREASE AND A REDIRECTION OF \$1.5 MILLION TO CONTINUE OPERATING THE LOS ANGELES AND CHICAGO MEGA CENTERS AND TO ESTABLISH A THIRD MEGA CENTER TO BE OPERATIONAL BY THE END OF THE FISCAL YEAR.

RESOURCE DEVELOPMENT - LEVERAGING NEW

PARTNERSHIPS:

BECAUSE OF SCARCE RESOURCES AND FUNDING FOR THE MBDA, A KEY STRATEGY FOR THE MBDA HAS BEEN TO ENTER INTO CREATIVE PARTNERSHIPS WITH PUBLIC AND PRIVATE SECTOR GROUPS TO LEVERAGE LIMITED MONIES AND RESOURCES TO CREATE NEW MINORITY BUSINESS ASSISTANCE PROGRAMS. THE AGENCY HAS ENTERED INTO OVER 20 MEMORANDA OF UNDERSTANDING (MOU) AGREEMENTS AND CREATED 10 MINORITY BUSINESS OPPORTUNITY COMMITTEES (MBOC) TO BRING DIVERSE SECTORS OF THE ECONOMY TOGETHER FOR MINORITY BUSINESS DEVELOPMENT AND ASSISTANCE. PARTNERSHIPS WERE ENTERED INTO WITH THE FANNIE MAE CORPORATION, AMWEST SECURITIZATION COMPANY, BANK OF AMERICA, HISPANIC BUSINESS MAGAZINE, THE ECONOMIC DEVELOPMENT ADMINISTRATION, CITY AND COUNTY GOVERNMENTS, AND OTHER GROUPS TO PROMOTE MINORITY BUSINESS OPPORTUNITY WITH DONATED SERVICES OR MATCHING FUNDS. TO EXPAND THIS INITIATIVE, MBDA IS REQUESTING \$270 THOUSAND.

RURAL BUSINESS DEVELOPMENT:

THE NEW MBDA IS EMBARKED UPON A STRATEGY OF EQUALIZING SERVICES WHICH HAVE BEEN DISPARATELY TILTED TOWARD THE URBAN POPULATION CENTERS FOR MINORITY BUSINESS DEVELOPMENT. THE NEW LEADERSHIP RECOGNIZES THAT RURAL MINORITY POPULATIONS OFTEN SUFFER THE HIGHEST ECONOMIC HARDSHIPS DUE TO THE LACK OF BUSINESS OPPORTUNITIES AND SUPPORT ASSISTANCE. THE MBDA HAS INITIATED

PLANS TO LAUNCH A MINORITY BUSINESS OPPORTUNITY COMMITTEE IN THE MISSISSIPPI DELTA, A SMALL BUSINESS OPPORTUNITY AND RURAL DEVELOPMENT PROGRAM IN SOUTH CAROLINA, AND IS REVIEWING OTHER OPTIONS TO CREATE RURAL DEVELOPMENT PROJECTS.

MBDA ALSO MADE SUBSTANTIAL PROGRESS IN OUR SIX MAJOR PRIVATE SECTOR PROGRAM INITIATIVES:

1) IN THE MBDA NATIVE AMERICAN PROGRAM, MBDA FUNDED THE NATIONAL INDIAN BUSINESS TRADE ASSOCIATION TO PROMOTE MARKETING OF NATIVE AMERICAN GOODS AND SERVICES. IN FISCAL YEAR 1994, MBDA HAS ESTABLISHED THE NORTHWEST NATIVE AMERICAN BUSINESS DEVELOPMENT CENTER, WHICH WILL PROVIDE BUSINESS DEVELOPMENT ASSISTANCE FOR NATIVE AMERICAN BUSINESSES IN THE UPPER NORTHWEST. IN ADDITION, MBDA HAS PROVIDED JOINT AGENCY ASSISTANCE TO PROVIDE MANAGEMENT AND LEADERSHIP TRAINING FOR TRIBAL LEADERS WHILE DEVELOPING EXPORT PROMOTION OPPORTUNITIES.

2) IN ITS INTERNATIONAL TRADE INITIATIVE, MBDA HAS FORMED SEVERAL COLLABORATIONS WITH AGENCIES AND OUTSIDE GROUPS TO HOST INTERNATIONAL TRADE MISSIONS AND HELPED TO LAUNCH A SERIES OF MATCH-MAKER PROGRAMS FOR EXPORT TRADE PROMOTION. THE MBDA PARTICIPATED IN TRADE MISSIONS TO SOUTH AFRICA, MEXICO CITY, AND WILL BE TAKING TRADE MISSIONS TO MONTEREY, MEXICO IN APRIL, TO SOUTH AMERICA--ARGENTINA, BRAZIL, CHILE AND ECUADOR--IN MAY,

AND ANOTHER TRADE MISSION TO CANADA IN THE FALL. THE OPPORTUNITIES PRESENTED IN THESE TRADE MISSIONS HAVE ALREADY RESULTED IN NEGOTIATED CONTRACTS AND EXPANDED MARKETS FOR MINORITY BUSINESSES. IN ADDITION, A SERIES OF 12 INTERNATIONAL TRADE TRAINING SEMINARS ARE BEING CONDUCTED NATION-WIDE TO ASSIST MINORITY BUSINESSES TO ENTER INTO THE EXPORT AND INTERNATIONAL TRADE MARKET.

3) IN ITS TRAVEL AND TOURISM INITIATIVE, THE MBDA IS LINKED WITH THE COMMERCE DEPARTMENT'S TRAVEL AND TOURISM ADMINISTRATION TO PROMOTE MINORITY BUSINESS ACCESS TO THE TOURISM INDUSTRY. AN EXCITING OPPORTUNITY PRESENTS ITSELF WITH THE COMMERCE DEPARTMENT'S COLLABORATION WITH THE WORLD CUP COMMITTEE TO PROMOTE COMMERCIAL OPPORTUNITIES DURING THE 1994 WORLD CUP EVENTS

-7-

BEING STAGED IN NINE CITIES IN THE U.S. DURING THE MONTH OF JUNE AND JULY. MBDA WILL BE ASSISTING MINORITY BUSINESSES TO FIND WORLD CUP PROCUREMENT OPPORTUNITIES AND TO PROVIDE TECHNICAL AND MANAGEMENT ASSISTANCE TO COMPANIES PARTICIPATING IN WORLD CUP COMMERCIAL ENDEAVORS.

4) THE MBDA HAS INITIATED NEGOTIATIONS WITH THE NATIONAL ELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA) TO BUILD MINORITY BUSINESS PARTICIPATION IN THE NEW NATIONAL INFORMATION INFRASTRUCTURE POLICY BEING DEVELOPED IN THE DEPARTMENT OF COMMERCE. SEVERAL PRELIMINARY FEATURES WILL BE INCLUDED IN A

RURAL TELECOMMUNICATIONS BUSINESS DEVELOPMENT PROJECT IN SOUTH CAROLINA AND A SUPER INFORMATION HIGHWAY PROJECT IN WILLIAMSPORT, PENNSYLVANIA. THE MBDA JOINTLY LAUNCHED THE TELECAP PROGRAM WITH NTIA AND THE FCC TO PROVIDE CAPITAL OPPORTUNITIES IN TELECOMMUNICATIONS FOR MINORITY INVESTMENT, AND THE COMTRAIN PROGRAM TO TRAIN MINORITY ENTREPRENEURS TO PARTICIPATE IN TELECOMMUNICATIONS OWNERSHIP. IN ADDITION, THERE ARE SIX SEMINARS BEING CONDUCTED NATION-WIDE TO ASSIST MINORITY BUSINESSES IN ACCESSING THE TELECOMMUNICATIONS MARKET.

5) THE MBDA HAS AGGRESSIVELY LAUNCHED AN EDUCATIONAL INITIATIVE TO PROVIDE TRAINING SEMINARS TO ASSIST MINORITY ENTREPRENEURS TO ACCESS THE LUCRATIVE FRANCHISING ARENA. THESE SEMINARS, EDUCATING POTENTIAL FRANCHISEES ABOUT BOTH THE RISKS AND REWARDS OF FRANCHISING VENTURES, HAVE ALREADY REACHED ALMOST 5,000 ATTENDEES IN 100 SEMINARS IN THE PAST TWO YEARS. AS A RESULT OF THESE HIGHLY SUCCESSFUL SEMINARS, OVER 28 AGREEMENTS WERE CONCLUDED DURING THIS TIME.

6) THE ACCESS TO CAPITAL INITIATIVE CREATES THE GREATEST CHALLENGE TO MINORITY BUSINESSES. THE CAPITAL DEVELOPMENT ACTIVITY FOCUSES ON INCREASING ACCESS TO CAPITAL BY MINORITIESTHROUGH INFORMATION DISSEMINATION AND COOPERATION WITH PUBLIC AND PRIVATE FINANCIAL INSTITUTIONS TO EASE THE HIGH RISK PERCEPTION GENERALLY ATTRIBUTED TO MINORITY FIRMS AND TO ENCOURAGE THE DEVELOPMENT OF PRIMARY AND SECONDARY MARKETS.

IN FY 1995, MBDA IS REQUESTING \$940 THOUSAND TO ADDRESS THE PROBLEMS OF ACCESS TO CAPITAL FROM THE PERSPECTIVES OF EQUITY AND DEBT FINANCING AND SURETY BONDING.

RESEARCH:

LACK OF ACCESS TO CAPITAL HAS LONG BEEN ASSERTED AS A MAJOR BARRIER TO MINORITY BUSINESS FORMATION. RECENTLY, THE CHICAGO MEGA CENTER CONDUCTED A SURVEY TO DETERMINE THE AVAILABILITY OF SURETY BONDING TO MINORITY CONSTRUCTION CONTRACTORS. THEIR FINDINGS SHOWED A DEFINITE NEED IN THAT AREA AND LED TO A PARTNERSHIP WITH A SURETY COMPANY, TO PROVIDE SURETY BONDING FORMEGA CENTER CLIENTS. IN 1995, MBDA HOPES TO DETERMINE WHETHERDISCRIMINATION IN LENDING IS A KEY FACTOR IN THE LACK OF ACCESS.

I AM REQUESTING \$505 THOUSAND IN FY 1995 TO CONDUCT A COMPREHENSIVE AND IN-DEPTH ANALYSIS OF COMMERCIAL LENDING PRACTICES TO DOCUMENT DISCRIMINATION IN HOUSING AND LABOR MARKETS.

CODIFICATION:

WHILE MUCH OF THE RE-INVENTION AND REFORM OF THE MBDA IS STILL UNDERWAY, A KEY SALIENT FEATURE OF THE EXISTENCE OF MBDA UNDERSCORES THE PLIGHT OF MINORITY BUSINESS DEVELOPMENT IN OUR COUNTRY: MBDA, THE SOLE AGENCY DEDICATED EXCLUSIVELY TO MINORITY BUSINESS DEVELOPMENT, HAS EXISTED IN TEMPORARY STATUS 25 YEARS UNDER AN EXECUTIVE ORDER. TO SECURE THE MISSION OF PROMOTING MINORITY BUSINESS DEVELOPMENT IN OUR NATION, SECRETARY BROWN HAS MADE CODIFYING MBDA ONE OF HIS GOALS.

BUDGET REQUEST:

TO CONCLUDE MY REMARKS, I AM PROUD TO BE A PART OF THE NEW ADMINISTRATION'S ECONOMIC AGENDA, PARTICULARLY AS IT TARGETS THE MINORITY BUSINESS COMMUNITY. THE PROPOSAL THE MBDA BRINGS BEFORE YOU TODAY IS MODEST, YET IT PRESENTS AN EXCITING NEW OPPORTUNITY,

TO MAKE A CONTRIBUTION TO OUR NATION'S ECONOMIC HEALTH. IT EMPHASIZES THE FINEST FEATURES OF FISCAL AUSTERITY WITH THE CREATIVE LEVERAGING AND PARTNERSHIP BUILDING WHICH WILL YIELD SUSTAINABILITY FOR THE MISSION OF THE MBDA. WE THEREFORE ASK YOU TO SUPPORT THE \$44,733,000 MISSION OF THE MINORITY BUSINESS DEVELOPMENT AGENCY.

THANK YOU FOR YOUR SUPPORT.

Mr. COLON. Okay.

Essentially, we are not asking for a lot of money, but the program, as such, is one that will accomplish this. In the Enterprise Development Area, we are asking for a little money to enhance our current MBDCs that are out there, to provide services. We have about 100. That will include also the Native American Business Development Centers. We also have focused much attention in the Native American program area.

I do want to draw to your attention the issue of rural development. We believe that is an area that has been forgotten. Our census data tends to take us away from those areas, because the concentration of minorities—the minority community and businesses—are in the urban centers. But we do recognize that in the rural communities, there are problems and that we probably need to look at those areas, away from the agrarian society, if you will.

There are minority folks in West Virginia and in Kentucky and in other areas. We are looking at those areas, and we are starting to do some things in South Carolina; and we are looking to put something in the Mississippi Delta.

Let me touch upon one major issue. Since we are so small, we have to depend on leveraging our resources, and we will leverage our resources with anyone who so desires to help the minority business community. We have gone to EDA, we have gone to Agriculture, we have gone to all of them, and we have leveraged our resources.

For example, we have a program that we have called the Minority Business Opportunity Committees, which brings together public sector and private sector folks, so that they can look at and identify procurement opportunities. We were targeted to put four in place in 1994, and we have already put 10 in place. Why? Because we think that the area of capital and access thereof is extremely important. If I ask an individual to serve on a committee who is the CEO of Fortune 500 company, we can ask him a direct question in a committee forum—sir, can you or ma'am, can you ensure that you can put X amount of dollars out there for the enhancement of entrepreneurship in a minority community?

Mr. MOLLOHAN. That sounds very interesting. If I could just interrupt, because Mr. Moran has a 4 o'clock meeting. I know that you want the benefit of some of his questions, if you would please suspend your testimony to give Mr. Moran an opportunity to ask those questions.

Mr. MORAN. Thank you very much, Mr. Chairman. The first thing I wanted to ask you about is the actual authorization for the program, because you have been going along now for a quarter of a century.

Mr. COLON. Twenty-five years.

STATUS OF AUTHORIZATION

Mr. MORAN. Are you planning to seek authorization, and if so, when?

Mr. COLON. We plan to seek authorization this year, sir, and we have already started to have our discussions with the minority business community, with some of your staff, and as of today I can

tell you that I have seen a first draft of what might eventually make its way up here.

We hope to have a codification paper up here this year, sir.

Mr. MORAN. Very good.

SBA OVERLAY

Tell me how you avoid overlap with the Small Business Development Centers. You have Minority Business Development Centers. Wouldn't Small Business Development Centers be somewhat comparable?

Mr. COLON. No. We complement each other. We believe that the Small Business Administration is there to service everyone; we are there to service only the minority community.

The way we complement each other is that, as you well know, they can do loan guarantees and so on; we can't. Therefore, they cannot help the client with loan packaging; we can. So we complement each other.

The SBDCs have a role, the MBDCs have a role. Together, we can provide the client with comprehensive service. But the major difference is that the MBDC provides one-on-one counseling around issues of developing business plans, developing marketing plans, helping them develop loan packaging, and helping them to solicit and secure procurement opportunities.

Mr. MORAN. Okay. Well, a lot of the small business loans do go to minorities.

Mr. COLON. Yes, sir.

Mr. MORAN. So that is something we would want to get into, I think, in a little more detail, perhaps not right now, though.

MEGA CENTERS

The MEGA Centers, you have one in Chicago and one in Los Angeles?

Mr. COLON. Yes. We will have one in Los Angeles April 1, sir.

Mr. MORAN. April 1st. And then what cities are you considering for the third?

Mr. COLON. We would like to put a MEGA Center in each region that we have. We have not decided on which city. We will certainly look at the cities and States that we believe will have the biggest return on what we put out there, so that it really addresses the immediate area plus the whole regional area.

For example, the Los Angeles MEGA Center will service the whole western Pacific area, while located in Los Angeles. It does have a major role to play in that community in view of its adverse conditions that they just experienced.

Mr. MORAN. How many people do you actually come into contact with on a yearly basis with the Chicago MEGA Center?

Mr. COLON. Does anyone have that? We will submit it. I know it is significant. It is in this book, but we will submit that for the record upon return to our offices.

[The information follows:]

CHICAGO MEGA CENTER CLIENTS

The Annual Business Assistance Report (ABAR) continuing the performance information is being processed for printing. A copy will be forwarded when available.

However, in response to the specific question asked, the Chicago MEGA Center serviced 543 clients in FY 1993.

ASIAN COMMUNITY

Mr. MORAN. Do you reach out to the Asian community as well?

Mr. COLON. Yes, sir. We reach out to the Asian, the Hispanic, the African-American community and the Native American community.

Mr. MORAN. Okay. Well, that is enough, Mr. Chairman. I know you have a meeting at 4:30 as well, so I don't want to take up too much time.

Mr. COLON. I have an answer for you, sir. Five hundred and forty-three clients were served. And it generated approximately \$44 million in procurement opportunities. You break that out, \$36.9 million in procurement contracts and \$7.5 million in loans.

Mr. MORAN. Okay. Thank you, Mr. Colon.

Mr. COLON. Thank you, sir.

Mr. MOLLOHAN. Okay. Mr. Colon, if you want to go ahead and finish summarizing your statement, you are welcome to do that.

Mr. COLON. Okay. I will just look at the major areas.

Access to capital is extremely important. It is an area that has been a sore spot for the minority business community. The access has not been there. So we have launched a major initiative in that area to look at how to secure opportunities around equity financing, debt financing, surety bonding, and securitization basically looking at a secondary market, if you will, something similar to Fannie Mae. The initiative has been developed.

We have had some success already. We have signed a memorandum of understanding with the 13th largest surety bonding house in the Nation, and we have received their commitment of over \$80 million thus far, and to provide the training necessary to help the minority entrepreneur access that market. We had some success in Chicago where we have had some of the minority entrepreneurs already receiving the necessary bonding to be able to compete on large construction projects. So that is another major area.

Tourism, I heard in earlier testimony, is indeed an important area, and it is important because it is the third largest industry in America. The gross national product, if I am guessing right, is approximately \$327 billion. The minority community has less than 1 percent of that market. There is a need to have entrepreneurs look at that marketplace, especially minority entrepreneurs.

There is a need to get people back to looking at Harlem, New York as a possible tourism site, Washington, D.C., as a possible tourism site. So we need to overcome some barriers here and get our people involved in this important industry.

The Native American area is an important one to us. I will give you an example. In the State of Washington, fisheries are extremely important. The biggest problem that the Native American community has up there is that they don't have a way to can the fish, and they do not have a cannery.

It would be exciting to see the Native American community be able to establish a cannery up in the Northwest, and market its products, not only domestically, but abroad.

Franchising is another industry that we think is extremely important. It is one where we would like to continue educating our

folks so that they can make intelligent business decisions. We want to ensure that they are aware that it is a risk, just like any other business venture and we want to provide them with the pros and cons.

We have manuals that have been developed to help them know where the franchises are and know the do's and don'ts in those areas.

I don't mean to say very much about telecommunications, but it is a major area. Our communities are not represented in that area and we need to create opportunities for them. We have worked with the National Telecommunication Information Administration. We have supported something called COMTRAIN, which is a training program where we use mentors to train minority entrepreneurs. Folks who already own TV stations, radio stations and have been very successful are helping us in that regard. We also have worked with them in a program called Telecap, which is aimed at accessing the telecommunications industry.

International trade, is another extremely important area. We leave a lot of money on the table, frankly. We want to make sure that the minority entrepreneur avails himself or herself of the opportunities that are in international trade. We have already sponsored one trade mission to Mexico City. We have one coming up for Monterey, a third one coming up to South and Central America, to Chile, Ecuador, Argentina and Brazil and later on in the fall we have one scheduled to go up to Canada.

We want to bring them together with other business people in those countries, and we believe that the opportunities are there. I have personal experience in that area, and I can assure you that we are leaving a lot of money on the table.

Youth is the future of our Nation and we are doing all we can within MBDA to develop initiatives around that area, working with the historically black colleges and the Hispanic Association for Colleges and Universities.

Now, the other major pot of money that we are requesting is about a half a million dollars for a research project to prove once and for all that the major barriers that exist in capital formation are in financial institutions. We want to prove once and for all whether there are systemic barriers and that way, we can go on with our lives.

Mr. MOLLOHAN. Okay. Thank you, Mr. Colon.

Mr. COLON. Thank you.

MEGA CENTERS

Mr. MOLLOHAN. As I hear your testimony and see the direction you are moving in, it seems you are working in areas that have the greatest potential for the greatest return first; is that fair to say? You are talking about Chicago and L.A., and I can understand that.

Mr. COLON. Yes.

Mr. MOLLOHAN. What you have described here are a lot of new initiatives in that regard, the MEGA Centers, for example, in Chicago and Los Angeles. That is all very ambitious, and actually I applaud it. In West Virginia, we do not have a big minority popu-

lation, but we have started a West Virginia high technology consortium.

I might say I had a fairly big hand in it, and I am proud to say that. And the whole concept was to get the small businesses, native businesses and native capital and native people investing in high tech areas, which is a difficult thing to do in an area that does not have that tradition. You face a similar problem in areas like Chicago and L.A., I would imagine.

Our first meeting consisted of predominantly minority- and women-owned businesses, with the idea that opportunities existed to do business with the Federal government. Also, by establishing mentor/protege relationships, between large contractors and sub-contractors and putting them in mentor/protege relationships, you establish an opportunity for hands-on help, which you described as distinguishing, the Small Business Development Centers from your operation. And I agree with that distinction. I think it is a different mission.

The question I would have is could you, in terms of outreach and leveraging your dollars, best operate within the already established overhead and structure, that the Small Business Administration provides? Not necessarily to abandon the concept of locating in an area like Chicago or Los Angeles, where the need is obviously so great; maybe that would merit an independent office, a MEGA Center, if you will.

But how do you market MBDA's services most effectively in areas where this is not such a high concentration of minority populations? Because in those areas, there is this opportunity, not as great a need certainly in terms of quantity, but there is an opportunity to help minority businesses in the same way you helped them in the higher concentration areas.

Mr. COLON. Well, I agree with you, sir. We have had many, many discussions with the Small Business Administration relative to how we could complement each other and how we can leverage resources, if you will. I have to agree with you, that if it were not for the limited resources, we certainly would be in places like West Virginia. I have been there.

We also recognize that there is the issue of fair treatment. It is tilted. Our services tend to be tilted toward the urban population centers. We recognize that. That is why we are attempting to look at that issue very seriously within our own guidelines and policies, what is it that we can do? Basically, with that recognition, knowing that that population really suffers the highest economic hardship due to lack of business and opportunities and support, we have already begun some things by launching a Minority Business Opportunity Committee in Mississippi Delta, and we want to look at other areas.

Mr. MOLLOHAN. But you are looking at just South Carolina, which I completely understand, and Mississippi, which I completely understand.

Mr. COLON. Well, let's look at West Virginia.

Mr. MOLLOHAN. Well, I can very much understand that. But it is still almost a site-specific kind of an approach. I would think that the MEGA Center approach—and I am almost philosophizing with you here—but the MEGA Center approach in areas that have

a high concentration of minority businesses or business people who are aspiring to be successful minority businesses makes sense to me.

To reach those areas where you don't have the concentration that would justify a MEGA Center, you could use the SBA network which already exists there, and perhaps you are. Or you could establish a national data bank so that you can communicate with every minority business in the area, that could be an efficient way to do it.

Mr. COLON. The data bank does, but let me give you kind of a peek at another area that we have been looking at. We have met with the Department of Agriculture, which has the small and rural community areas. They have \$5.2 billion. That is larger than the whole Department of Commerce. And we have had very serious discussions about using our network and leveraging ourselves, if you will.

Mr. MOLLOHAN. Using their network?

Mr. COLON. Using their network and using their dollars. Using our mechanism, because under our Executive Order there are some things that we can do. So your point is well-taken.

Mr. MOLLOHAN. Is that working out? How are those discussions going?

Mr. COLON. Very well. We have a draft in place of a memorandum of understanding that will allow us to, through the agriculture network, target the communities that you have mentioned.

Mr. MOLLOHAN. What agriculture agency would you be working through?

Mr. COLON. The small and rural communities. The Under Secretary is Robert Nash.

SBA

Mr. MOLLOHAN. What about SBA? Are you talking with them?

Mr. COLON. We are talking to SBA about how we can complement our services.

Mr. MOLLOHAN. Are you, really? You are talking with them?

Mr. COLON. Yes, sir.

Mr. MOLLOHAN. Are you at the memorandum of understanding stage?

Mr. COLON. We are. As you well know, the Small Business Administration is specifically dealing with the one-stop shop program, and we want to be a part of that in providing our resources to those one-stop shops.

Mr. MOLLOHAN. I question the one-stop shop concept as events unfold here, because the one-stop shops will be far afield from some of the rural, less populated areas that want to stop there. They already have a network and everybody understands how that works, so maybe we can look at it. Certainly other committees will be looking at that closer.

Mr. COLON. Well, we need to look at the feasibility of that. But we have taken the discussions further with the leadership there. As you well know, they are looking at their current 8(a) program, and we have discussed what role MBDA can play in that area to ensure that we support their efforts, and we get the services out to the minority entrepreneur.

Mr. MOLLOHAN. By the way, we—I think it is fair to say, that at least in my experience, I like the 8(a) program as it operates in West Virginia. It takes too long, again, to get qualified for the 8(a). There are hoops—and maybe they are good hoops to jump through and they ensure viability, but it does seem to take an awful long time. I know there is some criticism otherwise.

MEGA CENTERS

Let me ask you, with regard to the annual cost of operating the MEGA Centers, how much is contributed by EDA?

Mr. COLON. \$1.5 million.

Mr. MOLLOHAN. And how many people—I think you testified that you served 370 people?

Mr. COLON. That is in the Chicago MEGA Center. In the L.A. MEGA Center, we would propose that it would be much more than that. It is a bigger area.

Mr. MOLLOHAN. That is the first-year result?

Mr. COLON. Yes. The first-year result in the Chicago MEGA Center.

Mr. MOLLOHAN. How much did it cost to operate the Chicago MEGA Center?

Mr. COLON. A little bit more than \$1 million.

Mr. MOLLOHAN. Do you have a performance criteria by which you judge the effectiveness of those dollars? Certainly 370 people in the first year, would you consider that to be good performance?

Mr. COLON. Let me answer the first question. We do have criteria. Our granting process is one of cooperative agreement, which actually means that we make sure that services are being delivered and that they comply with the conditions of the cooperative agreement. They are supposed to have so many hours of services, so many clients served, and so many procurement opportunities would be established.

I can't tell you off the top of my head whether that figure that I gave you is within the range, but—

Mr. MOLLOHAN. Would you submit that for the record?

Mr. COLON. We certainly will. The four major areas are loans, procurements, clients, business starts and jobs, and how they stimulates the economy.

[The information follows:]

CHICAGO MEGA CENTER PERFORMANCE

The performance goals and actual performance for the MEGA Center in Chicago for FY 1993 are as follow:

| | Goals | Actual |
|---|---------------------|----------------|
| Financial Packages (Loans) | \$6.8 million | \$7.5 million. |
| Procurement Opportunities | 27.2 million | 36.9 million. |
| Clients | 474 | 543. |
| Management and Technical Assistance Hours | 24,000 | 10,667. |
| Business Starts | | 42. |
| Jobs Within Starts | | 184. |

There were no established goals for business starts and jobs created within those starts.

PERFORMANCE MEASUREMENT

Mr. MOLLOHAN. And so those are all measurements. I guess my question would be, recognizing that that is your first year—how has your first year performance been measured in terms of those yardsticks?

Mr. COLON. I believe it has been satisfactory, but I would defer back here to——

Ms. YOUNG. It is the pilot, and the testing of the pilot has been great. It has shown us a lot. We can improve on how we set up L.A. by using what we have learned from Chicago.

Mr. COLON. I think the major accomplishment in Chicago is that we had the surety bonding area look at that issue seriously. Not only was there a one-time, for example, \$900,000 surety bond for one company, but we also got that surety bonding company to look at all of the applications to determine whether, in fact, there were reasons for some applications being denied. And that, to me, is actually much more important than the actual surety bond, because it begins to open it up. As a result of that experience, we did an MOU with Amwest to do a nationwide project as opposed to a regional project. And they are putting their money where their mouth is.

Mr. MOLLOHAN. I think you have to prove yourself and you have to be successful in these urban areas. I am not from one, but I really believe have you to be successful there with the people in the urban areas, and then the country as a whole, and that is the number one priority. And at the same time, I think it would be good for you to be thinking about how you can be of service targeting the minority communities nationally, if it is just by making yourself accessible to them by communicating the availability of your program so that they can contact you. There is a push and a pull. But I do agree, you must be successful with the projects that you are currently involved in.

Mr. COLON. Well, as a matter of fact, our offices out there are equipped to disseminate information to anyone who requests within their region, and the MBDCs——

Mr. MOLLOHAN. Do you let them know?

Mr. COLON. Oh, absolutely. Oh, yes.

Mr. MOLLOHAN. I am not sure you are very active in our area, and again, I can understand that——

Mr. COLON. I think Pittsburgh is probably the nearest MBDC that you have to your area, sir.

Mr. MOLLOHAN. Yes. That is a long way.

Mr. COLON. A long, long way.

Mr. MOLLOHAN. The SBA is also up there. As you know, the push has to happen in your community, because only people in a community care about the community.

Mr. COLON. Let me tell you about a success story in your area, though.

Mr. MOLLOHAN. Sure.

Mr. COLON. With the Pittsburgh MBDC. It is a company in your area, in Charleston, West Virginia that attended one of our trade missions to the Gulf region. I believe the company is involved in some issues there.

Mr. MOLLOHAN. What is the name of that company?

Mr. COLON. Charles James, C. H. James and Company in Charleston.

Mr. MOLLOHAN. What do they do?

Mr. COLON. Food processing. A wholesale company.

MEGA CENTER FUNDING

Mr. MOLLOHAN. Let me ask a couple other questions here, quickly. You mentioned some of the other sources of funding for the MEGA Centers. Did you exhaust other funding for them besides your funding and EDA?

Mr. COLON. Right now, we are targeting one more MEGA Center for fiscal year 1994.

Mr. MOLLOHAN. Who is going to participate in the funding besides you and EDA?

Mr. COLON. Just us.

Mr. MOLLOHAN. That is it?

Mr. COLON. Just us, yes, by redirecting some dollars and recovering some other dollars.

Mr. MOLLOHAN. Agriculture is not going to participate?

Mr. COLON. No. We are going to hit Agriculture somewhere else.

Mr. MOLLOHAN. Regarding that funding from EDA, do you anticipate that to be permanent?

Mr. COLON. It is anticipated to be for a 15-month duration.

Mr. MOLLOHAN. Beginning?

Mr. COLON. April 1; which goes into 1995.

Mr. MOLLOHAN. If you could provide specific details of that for the record, we would appreciate that.

Mr. COLON. All right.

[The information follows:]

LOS ANGELES MEGA CENTER

The initial funding of the L.A. MEGA Center is for a period of 15 months. The projected award date is April 1, 1994 with a \$3.1 million funding level. The funding for the first year of this project is shared by the Economic Development Administration (EDA) through an interagency agreement at \$1.5 million.

MINORITY BUSINESS DEVELOPMENT CENTERS

Mr. MOLLOHAN. You really don't anticipate any Minority Business Development Centers being located in the rural areas at this time, do you?

Mr. COLON. Yes. We are looking at putting one in Orangeburg, South Carolina.

Ms. YOUNG. It is a rural development—

Mr. COLON. Rural Development Center.

Ms. YOUNG. For the State.

Mr. COLON. We are very serious about this issue. I wholeheartedly agree with you, that we need to address the rural community. I was personally involved in sponsoring children in Whitley County, Kentucky, because of the poverty and the devastation that exists in that State. So I have a firsthand knowledge about the rural community from that experience. We are talking about America. We have to address not only the urban centers, but we need to address the rural centers as well.

Mr. MOLLOHAN. I agree with you and look forward to working with you in both of these directions, the urban and the rural.

Mr. COLON. Thank you, sir.

REQUEST TO OMB

Mr. MOLLOHAN. What was your request to OMB?

Mr. COLON. Our original request was \$49 million.

Mr. MOLLOHAN. And what did they give you?

Mr. COLON. We finally ended up by supporting the Administration with \$44.7 million.

NATIONAL PERFORMANCE REVIEW

Mr. MOLLOHAN. Did the Vice President's National Performance Review look at your mission and any duplication of the other business assistance delivery agencies?

Mr. COLON. No. We find ourselves in the same boat having to ensure that we are efficient and effective.

Mr. MOLLOHAN. Did they mention you?

Mr. COLON. The National Performance Review? Oh, yes.

Mr. MOLLOHAN. And what did they say?

Mr. COLON. Basically, it dealt with organizational issues, how to best deliver services.

Mr. MOLLOHAN. Did it have any recommendations about your being consolidated with any of the other agencies?

Mr. COLON. No, sir. And I wouldn't advocate that for anything in the world.

Mr. MOLLOHAN. Okay. We have a number of questions that we are going to submit for the record, Mr. Colon, and we appreciate both of your testimonies here today.

Mr. COLON. Thank you, sir. We will be glad to submit them in writing.

Mr. MOLLOHAN. Thank you. The hearing is concluded.

[The following questions were submitted to be responded to for the record:]

Questions Submitted by Congressman Neal Smith

Request to OMB

QUESTION:

What was your budget request to the Department and to OMB for fiscal year 1995, what items did OMB eliminate from that request, and what will be the impact of those reductions on your activities?

ANSWER:

MBDA requested increases of \$26.4 million and \$4.2 million from the Department and OMB respectively. OMB reduced the amount, rather than eliminate items, by \$2.3 million. MBDA's request reflects the program increases, negotiated with OMB, that would best serve the minority business community.

Authorization Status

QUESTION:

Could you highlight some of the specifics of the legislative proposal? Will it include an expansion of duties for the MBDA?

ANSWER:

The MBDA is currently drafting proposed legislation. At this point, it is premature to discuss specific elements of this proposal. However, the proposal being drafted would retain some activities of the current executive order and proposes augmentations and revisions to other portions of it. The proposal also expands and clarifies the MBDA's role as the agency having sole responsibility for the development and expansion of minority businesses.

QUESTION:

Are you working with other Federal agencies, such as the Small Business Administration to ensure that this proposal eliminates overlap with other Federal delivery programs?

ANSWER:

Yes, MBDA's Enterprise Development Program and its MBDCs currently work collaboratively, both nationally and locally, with other Federal agencies on many projects to promote and enhance minority business development. We work to assure that our efforts avoid duplication and overlap and engage in projects with agencies having separate, discrete yet complementary scopes of activity. Our MBDCs and the SBAs SBDCs work closely in most areas referring clients to each other. For example, SBA may refer a client for business plan preparation by a CPA, which the MBDC can provide but the SBDC cannot. Conversely, the MBDC will refer clients to the SBDC for business training which the MBDC does not provide.

In its Resource Development activity, MBDA is working with other Federal Agencies not only to prevent overlap of functions but to coordinate with program resources needed for minority business access to capital, management and market opportunities. These agencies include the Small Business Administration for loan support of MBDA clients, International Trade Administration for Matchmaker trade delegations, National Telecommunication and Information Administration for telecommunications expertise and the United States Travel & Tourism Administration for tourism models. MBDA's Advocacy program jointly presents minority Enterprise Development (MED) Week with SBA. MBDA's legislative proposal will take these existing complementary relationships into account.

MEGA Centers

QUESTION:

Your budget request includes a requested transfer of \$1.5 million from the Enterprise Development Program and the Resource Development Program for the Minority Enterprise Growth Assistance (MEGA) Centers.

a. Will this be a permanent redirection of base funds? If not, how will these MEGA Centers be funded in future years?

ANSWER:

This will be a permanent redirection of base funds. The redirection of funds will allow for the continued funding of the MEGA Centers.

b. What will be the impact of this proposed redirection of funds on your ongoing programs for enterprise

development and resource development? Will any existing Business Development Centers be closed?

ANSWER:

The impact of this proposed redirection will be to provide broader opportunities for minority businesses in areas served by MEGA Centers. MEGA Centers are designed with specialized functional components to service larger, more profitable ventures in areas of business development which have the most demand and have the brightest future in today's market environment. These include such components as international trade, technology transfer and commercialization, tourism, the construction industry, franchising, and the venture and equity capital markets. All of the foregoing are areas which have been either closed to minority firms, or virtually inaccessible. These areas produce more employment and growth opportunities than do the traditional areas of business development, such as retailing, where there is the largest concentration of MBE firms. MEGA Centers will continue to service the agency's traditional clients in the metropolitan areas where they are located, through their basic functional components. Moreover, the MEGA Center will provide service to MBDC clients throughout entire regional areas -- services which the MBDCs cannot provide.

The Business Development Centers which will be closed are those which are located in the metropolitan areas where the MEGA Centers are currently located or will be located. For example, when the Chicago and Los Angeles MEGA Centers opened, the two existing MBDCs in Chicago and Los Angeles were closed.

QUESTION:

How many MEGA Centers have been opened to date, and what additional centers do you plan to open in FY 1994? Where will you open centers with the additional resources requested for FY 1995?

ANSWER:

The Chicago MEGA Center is open and operational, and the one in Los Angeles will open on April 1, 1994. For FY 1995, we are considering several options within the four (4) remaining regions for the opening of one (1) additional MEGA Center. MBDA is conducting a supply and demand study for center services. This will determine where it would be most productive and cost effective to locate the additional MEGA Center.

QUESTION:

How will you evaluate the success of the MEGA centers? Are the criteria for evaluation different from criteria for evaluation MBDCs? If so, how? How soon do you expect to see results from this initiative?

ANSWER:

The MEGA Centers will be evaluated against essentially the same pre-established and publicly advertised performance indicators as traditional MBDC's: number of clients served; number of client service hours provided; value of financial packages approved; value of procurement packages approved; client satisfaction; market building in the service area; and operational quality. However, while evaluation criteria do not differ significantly, MEGA Centers do differ from traditional centers in that they may have as many as five or more additional program functional components, such as capital development, technology transfer and commercialization, tourism, international trade, and construction assistance. The functional components added to a particular MEGA Center depend on the market demands of the region where it will be located and the MBDA budget. We expect to see results from these centers by the end of their first year of operations.

QUESTION:

What is the total amount requested in the FY 1995 budget for the MEGA Center program? How much will be directed to each of the ongoing centers, and what amount is for new center(s)? How do you determine the appropriate funding level for each MEGA Center?

ANSWER:

The total appropriation requested in FY 95 for the MEGA Center program is \$3.3 million. Of this amount, \$496,000 is an increase. The cost of operating these Centers is estimated at \$4.8 million as follows: Chicago-\$1.1 million, Los Angeles - \$2.5 million and \$1.1 to \$1.2 million for a new but unspecified location. An additional amount, \$1.5 million in continued support by the Economic Development Agency would provide the balance required.

QUESTION:

How do you determine the appropriate funding level for each MEGA Center?

ANSWER:

The determination of a MEGA Center funding level is based on a number of factors, including local supply and demand studies, the availability of federal, state, local government and private sector opportunities e.g, minority purchasing activities and loan programs.

More specifically, based on total minority population and minority businesses within the service area, the total number of business clients is anticipated. This estimate is applied to the average number of hours provided each client. A cost estimate is then developed using the per hour cost of basic management and technical assistance (M&TA) applied to the total number of management and technical assistance hours to be provided.

Funding for functional components is developed in a similar fashion to the description above but includes the cost of specialized professional staff in these areas.

Functional components are areas of M&TA that are determined to be needed based on local supply and demand studies and access to opportunities. There vary from location to location. The size of each component depends on the study. Functional components include such sectors as manufacturing, export, capital development, or tourism.

For example, we found the need for an export component was not as great in Chicago as it is in California.

Minority Business Opportunity Committees

QUESTION:

Your budget justifications refer to the Minority Business Opportunity Committees (MBOCs). How many MBOCs are you funding in FY 1994 and what is your request for FY 1995? What is the level of funding provided to these Committees?

ANSWER:

For FY 1994 MBDA projected funding four (4) MBOC's at approximately \$100 thousand each. However, because of the pressing need for economic recovery throughout the country we were able to leverage our funds with those of other federal, state and local agencies and prospective MBOC operators. As a result, in FY 1994 MBDA is establishing ten (10) MBOCs. The FY 1995 request for \$270 thousand is for six (6) additional MBOCs with anticipated leverage of these funds. At worst, if the agencies currently participating are unable to contribute at the supporting level next fiscal year, the \$270 thousand increase would allow MBDA to continue funding of existing MBOCs. The level of funding provided to the Committees is between \$100 and \$200 thousand dollars depending on the contribution by other federal, state or local agencies or the prospective MBOC operator. To date, outside commitments range between 50 to 100 percent of the MBDA share.

QUESTION:

How are MBOCs selected to receive funds, and for how long are they eligible to receive funds? Where are these Committees located?

ANSWER:

MBOCs are selected to received funds based on a number of criteria:

- o Economic need -- based on disparity or other studies indicating low business participation by minorities
- o Recommendations from MBDA's regional office network
- o Requests from communities and their ability to contribute 50% to 100% of MBDA's commitment.

Other considerations include: need arising from natural disasters or civil unrest, severe shifts or downturns in local business economies, i. e., defense downsizing.

For example, MBDA was approached by city officials and business leaders of the City of Corpus Christi who were concerned about low growth rate and the low participation rate of minorities in their city. They contributed \$67 thousand in cash and in-kind contributions to match MBDA's \$100 thousand share.

The City of Jacksonville, Florida asked MBDA for support after having conducted a disparity study that indicated very low business participation rates by minorities in their city.

North Alameda County in California requested assistance in stimulating minority participation with regard to base closures.

In each of these cases the municipalities involved were willing to contribute 50% or more to establish a committee in their area.

For FY 1994 MBDA has selected the following locations for funding MBOCs.

| | |
|--------------------|----------------|
| Los Angeles, CA | Charleston, SC |
| Puerto Rico | Chicago, IL |
| Corpus Christi, TX | Pittsburgh, PA |
| Jacksonville, FL | New York State |
| Alameda County, CA | Delaware State |

MBOCs are typically funded for one year and may be renewed based on performance.

QUESTION:

How do the MBOCs interact with the Minority Business Development Centers and MEGA Centers?

ANSWER:

MBDCs are members of MBOC committees where appropriate. The focus of an MBOC is to identify procurement and contracting opportunities in the public and private sectors for MBE participation. When centers are located near MBOCs they are in an excellent position to disseminate information about opportunities to their clientele and to provide management and technical assistance if required. MBDCs may also refer clients to a Committee looking for businesses with specialized skills or a proven track record.

Access to Capital

QUESTION:

You are requesting an increase of \$940,000 for the Capital Development program. What are the goals for each of the components of this initiative (debt, equity and bonding)? When do you expect to achieve these goals?

ANSWER:

The overall goal for our Capital Development program is to enhance MBE's access to the capital markets through the promotion of liquidity of MBE investments. The Agency wishes to promote awareness of MBE investments as liquid investments, whereby both debt and equity instruments can be bought and sold. To encourage liquidity we intend to spearhead the development of a secondary market for both debt and equity instruments as well as the securitization of MBE commercial and industrial loans.

For bonding, the Agency proposes to develop Bond Advisory Councils in each MBDA region to negotiate the establishment of bond pools with a number of surety companies. By pooling surety commitments, and then rotating the underwriting commitment among the pool members, MBDA will be spreading the risk so that no one surety accepts the underwriting risk for a large portfolio of MBEs.

Results from the Capital Development components are expected to be seen in fiscal year 1995 and to continue in succeeding fiscal years.

QUESTION:

Have you developed any performance measures for the Capital Development initiative? Please elaborate.

ANSWER:

The proposed Capital Development performance measures, provided below as A, B, and C, are intended to measure the increased access to conventional and non-conventional sources of capital by MBEs.

- A. We intend to negotiate a series of public/private partnership agreements to improve the working relationships between MBDA-MBDCs and financial sources as follows:

Memoranda of Understanding

- MBDA/Commercial Financial Institution(s)
- MBDC(s)/Commercial Financial Institution
- MBDA/Bank Trade Associations

- MBDA/Financial Regulatory Agency(ies)
- MBDA/Surety Company(ies)

B. In order to inform the finance industry of uses for already developed products to enhance asset liquidity, we intend to:

Sponsor (3) industry seminars on access to capital

- Securitizing MBE commercial and industrial debt
- Derivative/swaps and other arcane instruments of liquidity
- Secondary markets for MBE debt and equity

C. In order to reduce developmental costs and to encourage industry participation, we intend to fund:

Portfolio Pricing Study - Competitive contract to develop MBE asset portfolio construct that will reflect the risk to return ratio, asset pricing and portfolio rating without any significant discounts or guaranty.

QUESTION:

You are requesting \$505,000 in FY 1995 to conduct a study of commercial lending practices to determine whether discrimination in lending is a key factor in the lack of minority access. Haven't studies on this subject been conducted recently? What have been the results of these recent studies?

ANSWER:

There have been several large-scale major discrimination studies conducted recently, but they have dealt with housing, mortgage lending, personal lending and hiring.

Recent studies by Dr. Faith Ando (1988) and Dr. Timothy Bates (1993) provide some statistical evidence of lower short-term loan acceptance rates for minorities and commercial redlining in minority communities. While these are important pathbreaking studies they are not definitive.

QUESTION:

Why is MBDA the appropriate agency for conducting this study, rather than one of the lending industry review agencies? Does this project not duplicate other Federal efforts in reviewing discrimination in lending?

ANSWER:

MBDA is the appropriate agency for this study because the minority business community has asked us to be the leader in attacking the financial capital access problem. This discrimination study is an essential component of our capital development strategy. The study will not duplicate other Federal efforts, because they have focused on non-business lending.

QUESTION:

Will you integrate the results of your study on discrimination with your Capital Development program? Please elaborate.

ANSWER:

The discrimination study is an essential component of our Capital Development program. We are hypothesizing that discrimination exists in the marketplace and that it is a barrier - like lack of information, misperception of risk - that needs to be removed in order to make additional capital resources available to minority-owned firms. We anticipate using results of this study to strengthen our capital program through areas such as the Community Reinvestment Act and advocating more favorable service to minority-owned firms from financial institutions.

Rural Initiatives

QUESTION:

What steps is MBDA taking to expand its assistance to minorities in rural areas? How is this expansion to rural areas reflected in your FY 1995 budget request?

ANSWER:

MBDA is planning to fund a State-wide rural initiative in the State of South Carolina in FY 1994 and to establish a MBOC in the Mississippi Delta in FY 1995. Although we are not requesting additional funds for the rural initiative in FY 1995, we are actively pursuing leveraging funds from other Federal agencies to launch rural projects.

QUESTION:

Of the existing Minority Business Development Centers, how many are located in rural areas? How does this compare to the total number of centers?

ANSWER:

None of the agency's existing MBDCs are presently located in rural areas. All of our 98 centers are located in metropolitan areas. Agency policy is to locate its centers in areas with the largest minority population and minority business presence to make the greatest impact on minority business development in terms of numbers of clients served; hours of technical assistance; business loans approved; assistance with procurement contracts; and several qualitative impact measures. Service to rural areas means reaching fewer clients in large, sparsely populated areas and producing fewer results. Service to rural areas cannot be substantiated within the MBDC funding policy with current resources. This program is market-driven, i.e., services are targeted to areas with the greatest market demand for assistance and are the most cost effective. The agency is addressing the need for service to rural areas through the MBDC program by establishing a special statewide rural MBDC in Orangeburg, South Carolina. In addition, private sector programs in Market and Capital Development address the needs of minority entrepreneurs in both urban and rural communities.

QUESTION:

How do these ratios compare to the minority population distribution as calculated in the most recent decennial census?

ANSWER:

The Agency uses data on minority populations from the latest decennial census, and from the latest Economic Census, Survey of Minority-Owned Business Enterprises, as key factors in the selection of center locations. These data, compiled by the Department's Census Bureau, determine where the largest concentrations of MBE are located. Presently minority populations and businesses are concentrated in large metropolitan areas. Prior to the mid 1980's MBDA's funding was such that we funded over 100 MBDCs and NABDCs. Funding levels during that period ranged from approximately \$2.2 million in the larger urban areas and up to \$200 thousand for least populated areas. Current funding allows for funding only 97 centers at significantly reduced levels.

American Indian Programs

QUESTION:

Your statement highlights some of the Agency's efforts in assisting American Indians. What percentage of MBDA's resources are devoted to programs for Indian business

assistance, and how does that compare to previous fiscal years?

ANSWER:

The American Indian population represents 3.23% of the total minority population in this country according to the 1990 census data and it makes up 1.76% of the total minority businesses in the U.S.A. according to the 1987 Survey of Minority Businesses, the latest available data.

MBDA's funding for the Native American program is approximately eight (8) percent of program funds which is about the same as in previous years. This includes funding for the traditional Native American Business Development Centers, and other such initiatives as a workshop on export promotion, a case study on export promotion, and with EDA, a study to assess the potential for creating a Foreign Trade Zone in the Yakima Valley in Washington state which includes 1.6 million acres of forest, range and farm land of the Confederated Tribes and Bands of the Yakima Indian Nation. These activities are in keeping with MBDA's commitment to support all segments of the minority population.

Questions Submitted by Congressman Harold Rogers

Carryover Balances

QUESTION:

In last year's budget justifications, you did not anticipate any carry over from FY93 in to FY94. Yet, you actually carried over \$2.1 million into FY94.

Where did you derive this carryover, and how are you spending these funds in FY94.

ANSWER:

During the justification process, we projected that the Los Angeles MEGA Center and the Northwest native American Business Development Center would be operational before the end of the fiscal year. Later, delays in the competitive process pushed the start dates past the end of the fiscal year, requiring \$1.8 million to be carried into FY 1994. Another \$300 thousand is made up of recoveries of approximately \$200 thousand set aside for Minority Enterprise Development Week (MED Week) 1994 and the remainder is approximately \$100 thousand in program management fund appropriated to the no-year account.

QUESTION:

Again this year, you do not estimate any funds carrying over into FY95. Is this a realistic assumption, given that you have had significant carryover in the last 4 years?

ANSWER:

Yes, this is a realistic assumption. MBDA does not anticipate any carryover based on present program conditions.

Status of Authorization

QUESTION:

Is the Administration proposing an authorization for MBDA?

ANSWER:

Secretary Brown has made authorization for MBDA one of his goals.

QUESTION:

What is the status of the authorization?

ANSWER:

MBDA is currently drafting a proposal which we expect to submit for departmental clearance in April.

QUESTION:

Do you anticipate significant changes in MBDA's mission or programs if an authorization is passed? What impact, if any, would there be on you FY95 request?

ANSWER:

The proposal being drafted would retain some activities of the current executive order and proposes augmentations and revisions to other portions of it. The proposal also expands and clarifies the MBDA's role as the agency having sole responsibility for the development and expansion of minority businesses. There would be no impact on the FY 1995 request.

Mega-Centers

QUESTION:

You indicate in your justifications on p.29 that you are planning to establish a second Mega-Center this year (FY94) in Los Angeles.

You indicate that EDA is also providing funding for the project.

What is the total cost of the project -- how much is being funded through MBDA and how much through EDA?

ANSWER:

The following is the funding breakout for the first year of L.A. MEGA Center operation in FY 1994.

| | |
|---------------|-------|
| \$1.6 million | MBDA |
| 1.5 | " EDA |
| <hr/> | |
| \$3.1 million | TOTAL |

QUESTION:

What is EDA's role in the Mega-Center and is this a new role for EDA?

ANSWER:

EDA sees the L.A. MEGA Center as a complementary effort to its own economic development efforts to revitalize the Los Angeles area which has been heavily damaged first, by the riots of 1992, and more recently by the earthquake. The Los Angeles area has a very large minority population. The specific area affected by the riots is almost entirely made up of minority Americans. Besides providing a large amount of the funding for the project, the roles for both EDA and MBDA will be to work closely together on projects and areas where their efforts will be mutually complementary and beneficial to the targeted segment of the population.

QUESTION:

In FY95, you are requesting an additional \$496,000 to establish a third Mega-Center.

Where will this center be located, what is the total cost for the new Mega-Center, and will other agencies be contributing funding? If so, how much?

ANSWER:

We are considering several options within all of our regions for the opening of one additional MEGA Center. MBDA is conducting a supply and demand study for center services, which will help us to determine where to locate the additional MEGA Center. Other factors which we will use to help us determine where to locate the new MEGA Center will be the presence of resources such as Federal, state and local government procurement and capital programs; private company resources ,e.g., minority purchasing activities and loan programs, and of course minority population and minority business presence. The total cost of the new MEGA Center is estimated at \$1.1 to \$1.2 million. The request for \$496,000 is for additional funds to be added to our base to enable us to fund the entire MEGA Center program.

EDA will continue to provide funding in the amount of \$1.5 million for the MEGA Center program.

QUESTION:

What services do the Mega-Centers offer that are already provided by the traditional Minority Business Development Centers (MBDCs)?

ANSWER:

The MEGA Centers and MBDCs offer the same traditional type services that include management and technical assistance (M&TA), business plan preparation, loan packaging, marketing and research assistance, contract procurement, providing information and making referrals. In addition to these services, the MEGA Centers are designed to service larger, more profitable ventures in areas of business development which have the most demand and have the brightest future in today's market, services which traditional MBDCs cannot provide because of their size and limited funding levels. The services which MEGA Centers provide are unique and differ from those of traditional MBDCs in that they include functional components in the areas of international trade, technology transfer and commercialization, tourism, construction industry assistance, and franchising, and access to the venture and equity capital markets. These areas produce more employment and growth opportunities than do the traditional areas of business development. MEGA Centers will continue to service clients in traditional markets in the metropolitan areas where they are located and also provide augmented services to MBDC clients throughout the entire regional areas they serve.

QUESTION:

What unique functions do Mega-Centers provide that existing Minority Business Development Centers cannot provide?

ANSWER:

The MEGA Center concept is that of a state-of-the-art assistance center that will serve start up and existing minority businesses with expanded services. One of the MEGA Center's main concepts is to provide expanded and more sophisticated business services to clients within large metropolitan areas having more complex requirements than those of the regular centers. These expanded services are provided through functional market components which correspond to the economic configuration of the locale. These include such components as technology, international trade and tourism.

QUESTION:

Can we assume a down-sizing of the MBDCs in areas where the Mega-Centers operate? If not, why?

ANSWER:

The Business Development Centers which will be closed are those which are located in the metropolitan areas where the MEGA Centers are established. For example, when the Chicago MEGA Center was opened, the two existing MBDCs there were closed and the funding was used to partially offset the increased costs of the MEGA Center.

Discrimination Study

QUESTION:

You are requesting a program increase of \$505,000 to fund a study on discrimination in commercial lending institution practices?

Will this study be done internally, or will it be contracted to a private organization?

ANSWER:

We anticipate that the scale and unique nature of this study will require contracting with a private organization. In developing technical specifications for this study our staff will coordinate with other agencies that have conducted discrimination studies in the areas of rental housing, mortgage lending and hiring, to use their very successful methodologies. We estimate this study will have a total cost exceeding one million dollars; and its results will have policy implications for the Federal lending agencies. Therefore we will arrange for financial and other partnership commitments from the various Federal lending agencies.

QUESTION:

You indicate that other agencies have indicated their commitment to this project.

What other agencies are involved, and do you anticipate those agencies committing resources to this initiative? Are any other agencies, such as the Department of Justice or HUD, conducting their surveys or other activities on discrimination in lending practices? Is this duplicative of your request? If not, why?

ANSWER:

We have discussed this study with the Small Business Administration and the Federal Reserve Board. During the next several months we will be holding discussions with Treasury, the Office of Civil Rights at Justice, the United States Commission on Civil Rights, and HUD. We anticipate having a partnership with these agencies because eliminating discrimination is a priority of this Administration.

Studies of discrimination by other Federal agencies have focused on housing, mortgage lending and hiring practices. They have not investigated discrimination in lending to businesses. Our study will not duplicate other Federal efforts.

TUESDAY, MARCH 15, 1994.

INTERNATIONAL TRADE ADMINISTRATION

WITNESSES

**JEFFREY E. GARTEN, UNDER SECRETARY FOR INTERNATIONAL
TRADE ADMINISTRATION**

ALAN NEUSCHATZ, DIRECTOR OF ADMINISTRATION

**MITCHELL A. LUXENBERG, DIRECTOR OF THE OFFICE OF FINANCIAL
MANAGEMENT**

**MARK E. BROWN, DIRECTOR, OFFICE OF BUDGET, DEPARTMENT OF
COMMERCE**

Mr. MORAN [presiding]. We will continue our hearing on the Department of Commerce, fiscal year 1995 budget. The request for the International Trade Administration is \$262.5 million. It is an increase of almost \$16 million above what was provided last year. That includes a rescission of \$2 million.

We will put the justification material into the record at this point.

[The justification follows:]

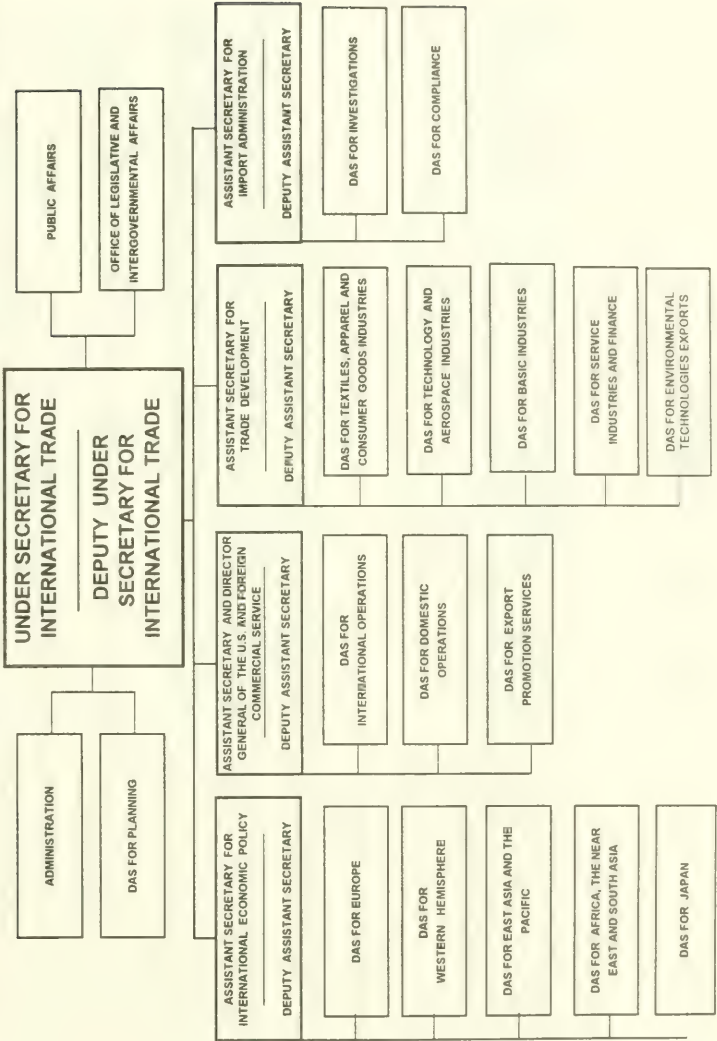
(1019)

**DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION
Budget Estimates, Fiscal Year 1995
President's Submission**

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U.S. DEPARTMENT OF COMMERCE INTERNATIONAL TRADE ADMINISTRATION



DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION
FY 1995 PRESIDENT'S BUDGET

EXECUTIVE STATEMENT

BUDGET DESIGN

The International Trade Administration's (ITA) FY 1995 budget request has been formulated using principles enunciated by the Trade Promotion Coordinating Committee (TPCC) to better coordinate Federal Government efforts in worldwide trade promotion of U.S. firms' goods and services. After careful consideration of ITA's current base program, determinations were made concerning the shifting of some resources, the reduction or elimination of some activities, and some modestly increased activity requiring additional funding availability. The new initiatives will be integrated with ongoing ITA programs, other Department of Commerce (DOC) initiatives and ongoing programs, and will be coordinated with other Federal Government trade promotion efforts.

ITA's ongoing programs and new initiatives, in varying degrees, fall into two of the Administration's "policy baskets" of program initiatives. In addition to the obvious Export Growth, the other "basket" is Technology (i.e., promoting exports of environmental technology products and services).

PLANS FOR ACCOMPLISHING DOC'S GOALS

ITA's policy initiatives directly support all of the relevant mission areas contained in the Strategic Vision. Specifically, ITA plays a key role in achieving the Secretary's goals to implement a trade policy and an export promotion strategy that will open foreign markets and increase U.S. exports.

We have, for example, developed a targeted geographic/sectoral strategy aimed at substantially increasing U.S. exports and gaining greater access to the markets of select Latin American and Asian nations. We continue to work to implement the objectives of the North American Free Trade Agreement (NAFTA).

ITA will continue to play a major role in key U.S. Government commercial relationships with such countries as Japan, the Non-Russian Republics of the former Soviet Union, and China. We will work for "fast track" passage in the Congress of GATT Uruguay Round (U.R.) agreements and subsequently initiate domestic and international implementation of the U.R. provisions.

We have also formulated an environment export initiative directed at increasing U.S. firms' access to and participation in key overseas market opportunities for leading edge environmental technology exports.

We will continue to enforce existing trade agreements and U.S. trade laws to open more export markets.

ITA is also committed to addressing new issues in trade policy such as trade and technology integration, trade finance, and defense conversion.

Appropriate implementation of the policy initiatives identified above will require additional resources. A detailed justification of ITA's FY 1995 resource needs is presented in the formal budget documentation.

North American Free Trade Agreement (NAFTA)

Following Congressional approval of implementing legislation, NAFTA went into effect January 1, 1994. ITA assisted in the preparation of implementing legislation, prepared material assessing the Agreement's impact on U.S. industries and competitiveness, and reporting to Congress on the impact on access to trade remedies and Mexico's efforts to bring its trade remedy system into compliance with NAFTA's terms. ITA will lead in informing the business community on NAFTA's terms and preparing information on how to take advantage of NAFTA opportunities, developing means to ensure Canadian and Mexican compliance in such diverse areas as market access, government procurement, intellectual property rights and standards. Under the NAFTA implementing legislation, ITA is responsible for the administration of dispute settlement procedures which will be carried out by the NAFTA Secretariat. ITA will analyze petitions for accelerated elimination of tariffs on industrial products. In addition, NAFTA mandates at least 75 trilateral activities and over 20 trilateral standing working groups. Implementing legislation created additional unilateral responsibilities.

ITA has several ongoing efforts to assist U.S. business to take advantage of NAFTA: ITA has created a "NAFTA FACTS" system to handle routine requests for information, including tariff rates and rules of origin; ITA is organizing more than 70 customs seminars around the country to inform the business community about NAFTA customs rules; preparing a comprehensive guide to doing business in Mexico, scheduled for release in April, 1994; a biweekly newsletter on NAFTA opportunities is scheduled for start-up in the first half of 1994; ITA will continue to track stories that provide anecdotal evidence of the benefits of free trade; ITA will be conducting follow-up activities to the successful San Antonio Border Infrastructure Conference; the ITA-sponsored U.S.-Mexico Environmental Business Committee designed to provide technical assistance and information on available U.S. environmental products and services to Mexican users will be privatized, with ITA retaining an active position on the board.

Finally, all of the various resources of the Department have been coordinated into a single, comprehensive program called "Export Mexico".

Trade with Japan

An important example of ITA's support for aggressively opening foreign markets, implementing agreements, and advancing U.S. commercial interests is the U.S.-Japan Framework, the President's high-priority, cross-cutting initiative for increasing market access for U.S. firms in Japan. The goal of this initiative is to improve substantially U.S. trade with Japan by negotiating agreements in approximately 15 new structural and sectoral areas. ITA plays a leading role in fulfilling the goals of this new Framework. The Framework will encompass a new integrated sectoral, structural, and macroeconomic strategy that will deal comprehensively with market access problems in Japan. The Framework will be a resource-intensive tool that will also strengthen and expand ongoing efforts to create opportunities for U.S. industry under various agreements and initiatives, including the Major Projects Arrangement (MPA); the 1991 Semiconductor Agreement; the 1990 Supercomputer Agreement; the Computer Procurement Agreement; and the Market-Oriented, Sector-Selective (MOSS) agreements in telecommunications, transportation machinery, and medical and pharmaceutical products.

GATT Uruguay Round

ITA acted as the focal point for the Department's Uruguay Round (U.R.) support; including participation on U.S. delegations to the actual negotiations, representation of the Department for interagency policy formulation, close liaison with private sector advisory committees and preparation of proposed U.S. implementing legislation. In the post-negotiations phase of the Uruguay Round, ITA continues to play a central role in both the domestic and international aspects of the extensive follow-up. On the domestic side, ITA will be involved in: (1) carrying out the increased reporting and policy development mandates imposed by the Congress as part of the implementing legislation; (2) extensive monitoring/implementation of foreign country adherence to the Uruguay Round agreements in order to ensure that the potential for U.S. exports/jobs is realized; (3) maintaining an extensive private sector "outreach" program to support U.S. industry's response to these enhanced opportunities; and (4) participating actively in U.S. Government (USG) work programs covering Uruguay Round carryover issues and related follow-on. On the international front, ITA will remain a key participant on U.S. delegations to negotiations/consultations on, (1) effective implementation of the Uruguay Round agreements reached, (2) parallel decision-making regarding the organizational/ procedural aspects of the revised world trading system (transition to the World Trade Organization); (3) Uruguay Round issues which were carried over due to lack of current consensus (procurement, various services sectors, etc.) and (4) development of follow-on work programs for such key issues as trade and the environment, trade and competition policy, etc.

European Union (E.U.)

ITA published a series of information guides on market access issues in the European Union (E.U.), formerly the European Community (E.C.), related to new E.U.-wide rules on standards, testing, International Standards Organization 9000, product labeling and packaging, exporting rules, and patents and trademarks as well as several others. U.S. based small and medium-sized exporters have used these guides to orient their strategies for design and distribution to Europe.

ITA began negotiations with the E. U. on mutual recognition agreements for testing and certification in key export sectors like pressure equipment, computers, telecommunications, and medical devices. These meetings were supplemented by similar negotiations with EFTA countries and Germany to cover more products. Mutual recognition agreements would facilitate U.S. exports by allowing U.S. exporters to satisfy European regulatory requirements through tests and certification in the United States instead of in Europe.

ITA opened a dialogue with the E.U. on their environmental rules regarding products life cycle and environmental management systems that could affect billions of dollars of U.S. paper and pulp exports to the E.U.

ITA joined with the U.S. Department of State in initiating a working group to identify sectors and products where U.S. and E.U. regulations could be harmonized in a way that reduces the cost of exporting and barriers to access while maintaining regulatory integrity. We are concentrating on machinery, aerospace, packaging, and chemicals.

Newly Independent States (NIS) of the former Soviet Union

American companies need support from the U.S. Government to meet increasing competition in the Newly Independent States (NIS) from European and Asian companies, which are already making inroads with support from their governments. The Department of Commerce (DOC) has undertaken several new programs to provide the basis for this support, focusing on removing the most critical barriers to trade and investment and on supporting viable commercial projects. Some of the activities undertaken include the following:

- DOC through ITA has established a Business Development Committee (BDC) with Russia to focus efforts on developing a closer bilateral relationship. The BDC is responsible for removing obstacles to expansion of bilateral trade and investment, assisting commercial projects delayed by Russian Government inaction, and helping American businesses find suitable partners.
- During the June 1992 Summit, Commerce/ITA organized a first-ever U.S.-Russia Business Summit Conference, which brought together Presidents Bush and Yeltsin and more than 300 leading American and Russian business representatives.
- ITA has established the U.S. Government's one-stop information clearinghouse for business (funded by AID), the Business Information Service for the Newly Independent States (BISNIS), which provides complete information on market opportunities and U.S. Government programs supporting commerce and technical assistance.
- ITA's Special American Business Internship Training (SABIT) Program (funded by AID) provides hands-on business training in U.S. firms to managers and scientists from the NIS. It helps educate them on how a market economy works and promotes business for U.S. firms. During Calendar Years (CY) 1992/93, 300 executives arrived for SABIT training. By the end of CY 1995, a total of 500-600 executives will have participated in the program.
- The Consortia of American Business in the Newly Independent States (CABNIS) Program is accelerating the opening of business through matching grants to six groups of companies. Each of the company groups set up offices in the NIS which their members can use as an information source and a base of operations. A project objective is to have these offices become self sustaining after the matching grants expire.
- The U.S. side of the Defense Conversion Subcommittee has produced a Business Directory of Russian defense plants, which is updated on a continuing basis to help U.S. companies assess business opportunities. A directory of Ukrainian defense enterprises also is being prepared.

These efforts, taken as a whole, form a powerful network of assistance to the American business community in securing and maintaining significant market penetration in the NIS while meeting the challenges of our competitors and the difficulties of the market.

Trade Promotion Coordinating Committee (TPCC)

The Trade Promotion Coordinating Committee (TPCC) is an inter-agency group, chaired by Secretary Brown, which is responsible for coordinating the export promotion and export finance programs of the Federal Government. ITA is leading the effort to implement the TPCC's National Export Strategy, outlined in the TPCC's First Annual Report to Congress released in September 1993. This strategy is a comprehensive blueprint for U.S. Government action to help U.S. firms increase exports. The strategy was developed, through an intensive, collaborative process involving 19 government agencies, and the National Economic and Security Councils during the second half of FY 1993. This process produced a series of recommendations, which are now being implemented, in such areas as:

export finance, advocacy, export controls, resource allocation, sectoral and regional strategic planning, domestic and overseas operations, and commercial information.

While the central focus of the TPCC is to improve coordination among federal agencies, the TPCC is also taking a number of steps to strengthen relationships with state and local government providers as well as the private sector. To that end, ITA has organized a number of TPCC outreach activities, with the objective of increased leveraging of scarce export promotion dollars. Together with the Office of Business Liaison, ITA has already reached out to more than 2000 individuals from the private sector, state and local governments, and academia to obtain their input on how the U.S. Government can help boost exports. ITA will follow-up on this initial outreach in its continuing effort to serve its customers-- U.S. business--better.

The TPCC Secretariat, part of the Office of the Under Secretary for International Trade, is the permanent point of contact for U.S. Government agencies or private sector representatives seeking information on TPCC activities. In addition, the Secretariat is responsible for coordinating the development and monitoring the implementation of the National Export Strategy. Trade Development, US&FCS, and International Economic Policy are also actively involved in TPCC activities, with lead responsibility for implementing many key elements of the National Export Strategy.

EXPECTED BENEFITS FOR THE NATION

Exports create millions of jobs for American workers and have become the primary "engine of growth" for the economy. The expansion of trade stimulates economic growth by fostering better paid jobs, higher productivity, and a higher standard of living for the average American. One out of six manufacturing jobs is linked to exports--up from one in eight only a few years ago. Moreover, our national security is closely bound up with our economic strength. On February 26, 1993, President Clinton addressed the students of American University and stated: "it is time for us to make trade a priority element of American security" and "to take on the hard work of creating a more open trading system that enables us and our trading partners to prosper."

SUMMARY OF PROPOSED BUDGET INCREASES

ITA's current set of programs will be enhanced through modest increased activities falling in three major areas. The new initiatives will be well integrated with the ongoing programs in ITA, with other DOC initiatives and ongoing programs, and with other Federal Government trade promotion efforts. A brief description of the requested increases follows:

Enhanced Global Network (US&FCS, 12 FTE, \$11,293,000) - This two-part request is an integral part of the Department's Export Growth Initiative and supports the Department's mission of enhancing long-term economic growth. The first part of this request, Overseas Network Expansion, will strategically expand ITA's US&FCS overseas network in response to recommendations developed by the TPCC for improving delivery of export promotion assistance to American firms. The second component, Targeted Initiatives, includes domestic and overseas programs designed to: expand opportunities for U.S. exporters and potential exporters in critical growth markets such as China, Mexico and the ASEAN countries; increase U.S. business' awareness of, and access to, trade finance; and increase exports of U.S. firms making the difficult transition from defense production to commercial marketing.

Together, these components allow Commerce to implement its TPCC mandate and will support the Administration's commitment to sustainable economic growth. They will also support other Federal Government technology and trade initiatives designed to promote the global competitiveness of U.S. business.

Environmental Technologies Trade Expansion (TD, 0 FTE, \$4,148,000) - With this request, ITA will be able to implement a strategic international marketing program to increase U.S. exports of environmental technology, products and services. This request will also allow Commerce to take its proscribed lead role in organizing the Federal Government effort to provide U.S. companies with the support for trade development, promotional efforts, and technological assistance they need to turn environmental advances into jobs in America, as well as promote a better environment. While the U.S. remains at the forefront of world efforts in the R&D phase of environmental technology, this increase will allow ITA through its Trade Development unit, to insure that we keep pace with our competitor nations in fostering and promoting exports of environmental products to key markets. Some of the key markets are Mexico, Eastern Europe, and the NIS.

Trade Policy Information System (TD, 0 FTE, \$911,000) - This request will allow ITA's Trade Development unit to create a modern, downsized replacement for the current information system housed at the National Institutes of Health (NIH), which will be terminated in 1996. ITA simply cannot fulfill its basic mission without this type database. The Trade Policy Information System (TPIS) serves as the Federal Government's primary electronic repository of detailed current and historical trade data from an extensive list of information sources. The analytical and processing capabilities of TPIS are as important as its wide range of detailed data. Prominent among the many publications and reports which could not be produced without this information system is the U.S. Industrial Outlook.

SUMMARY OF PROPOSED BUDGET DECREASES

There are two areas in which ITA is proposing program decreases:

Consortia of American Businesses in the Newly Independent States (CABNIS) (TD, 0 FTE, \$1,599,000) - CABNIS began in FY 1992 using funds provided by the Agency for International Development (AID). The AID funding allowed for grants to establish 9 U.S. consortia of for-profit firms interested in doing business in the NIS and locating U.S. consortia commercial offices in the NIS. ITA requested funding for the program in FY 1994 to fund 3 additional grants. ITA feels that establishment of 12 consortia is sufficient and proposes that no additional consortia be funded.

CIMS/INTDB, Office Automation, and Communications (US&FCS, 0 FTE, - \$1,981,000)-This decrease will reduce the total CIMS budget for FY 1995 to \$6,901,000. At this funding level maintenance, including equipment repair or replacement, will be accomplished for CIMS, NTDB, office automation and electronic mail for all US&FCS offices.

PERFORMANCE MEASURES

ITA believes in the importance of demonstrating the significance and productivity of its programs to program constituents and reviewers, legislators, and policymakers. Toward that end, following are a few sample performance measurements. A substantial number of program-oriented outcome measures are also displayed within the specific program sections of this overall request.

| | 1992
<u>Actual</u> | 1993
<u>Estimate</u> | 1994
<u>Estimate</u> | 1995
<u>Estimate</u> |
|--|-----------------------|-------------------------|-------------------------|-------------------------|
| Business Counseling Sessions (TD) | 600 | 385 | 485 | 385 |
| Trade Promotion Events Supported (TD) . . . | 60 | 60 | 60 | 65 |
| Antidumping Orders (IA) | 249 | 295 | 309 | 323 |
| Countervailing Duty Orders (IA) | 73 | 98 | 103 | 108 |
| Entries into New Markets (US&FCS) | 2,785 | 2,925 | 3,100 | 3,100 |
| Overseas trade facilitation sessions (US&FCS) | 128,268 | 128,500 | 155,000 | 167,105 |
| Seminars organized (IEP) | 248 | 254 | 287 | 342 |
| Magazine/periodical articles written (IEP) . . | 429 | 437 | 460 | 486 |

Department of Commerce
International Trade Administration
Operations and Administration
SUMMARY OF FINANCING
(Dollar amounts in thousands)

| | 1994 | | | | |
|--|----------|-------------|----------|----------|------------|
| | 1993 | President's | 1995 | 1995 | Increase/ |
| | Actual | Budget | Base | Estimate | (Decrease) |
| | Amount | Amount | Amount | Amount | Amount |
| Total Obligations | 240,565 | 287,146 | 284,622 | 294,576 | 9,954 |
| Financing: | | | | | |
| Offsetting collections from: | | | | | |
| Federal funds | (9,523) | (15,420) | (15,420) | (15,420) | 0 |
| Trust funds | 0 | 0 | 0 | 0 | 0 |
| Non-Federal funds | (16,997) | (16,688) | (16,688) | (16,688) | 0 |
| Recoveries | (1,101) | 0 | 0 | 0 | 0 |
| Unobligated balance, start of year | (5,541) | (6,448) | 0 | 0 | 0 |
| Unobligated balance, transferred | (0) | 0 | 0 | 0 | 0 |
| Unobligated balance, end of year | 6,448 | 0 | 0 | 0 | 0 |
| Unobligated balance lapsing | 0 | 0 | 0 | 0 | 0 |
| Budget Authority | 213,851 | 248,590 | 252,514 | 262,468 | 9,954 |
| Financing: | | | | | |
| Transferred to other accounts (P.L. 102-395) | 0 | 0 | 0 | 0 | 0 |
| Transferred from other accounts | 0 | 0 | 0 | 0 | 0 |
| Appropriation | 213,851 | 248,590 | 252,514 | 262,468 | 9,954 |

Department of Commerce
International Trade Administration
Operations and Administration
ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

| <u>Other Adjustments:</u> | <u>Positions</u> | <u>FTE</u> | <u>Amount</u> |
|--|------------------|------------|---------------|
| Non-recurring cost changes | 0 | 0 | (8,542) |
| <u>Other Changes:</u> | | | |
| 1994 Locality pay raise | | | |
| 1995 Pay raise | 0 | 0 | 3,284 |
| Full-year cost in 1995 of positions financed for part-year in 1994 | 0 | 0 | 1,286 |
| Within grade step increases | 0 | 0 | 380 |
| Changes in compensable days | 0 | 0 | 1,010 |
| Civil Service Retirement System (CSRS) | 0 | 0 | (470) |
| Federal Employees Retirement System (FERS) | 0 | 0 | (552) |
| Thrift Savings Plan (TSP) | 0 | 0 | 1,160 |
| Federal Insurance Contributions Act (FICA) - OASDI | 0 | 0 | 156 |
| Health Insurance | 0 | 0 | 538 |
| Employees Compensation Fund | 0 | 0 | 271 |
| Travel | 0 | 0 | (78) |
| Per diem | 0 | 0 | 41 |
| Rental payments to GSA | 0 | 0 | 620 |
| Rental payments to others | 0 | 0 | 3 |
| Communications, utilities, and miscellaneous charges: | | | |
| Other telephone | 0 | 0 | 100 |
| Printing and reproduction | 0 | 0 | 92 |
| Other services: | | | |
| Working Capital Fund | 0 | 0 | 296 |
| Audit Costs | 0 | 3 | 232 |

| | <u>Positions</u> | <u>FTE</u> | <u>Amount</u> |
|--|------------------|------------|---------------|
| Supplies and materials | 0 | 0 | 54 |
| Foreign Affairs Administrative Support (FAAS) | 0 | 0 | 2,291 |
| Overseas wage increases FY 1994 Recalculation | 0 | 0 | (296) |
| Overseas price increases FY 1995 Recalculation | 0 | 0 | (263) |
| Overseas wage increases FY 1995 | | 0 | 1,360 |
| Overseas price increases FY 1995 | <u>0</u> | <u>0</u> | <u>951</u> |
| Total adjustments to base | 0 | 3 | 3,924 |

Department of Commerce
International Trade Administration
Operations and Administration
JUSTIFICATION OF ADJUSTMENTS TO BASE
(Dollars amounts in thousands)

Exhibit 9

| | <u>FTE</u> | <u>AMOUNT</u> |
|--|------------|----------------|
| <u>Adjustment (Non-recurring cost changes)</u> | 0 | (8,542) |
| <p>In FY 1994, ITA was appropriated one-time sums of \$3,400,000 for the Tailored Clothing Technology Corporation; \$1,395,000 for the Massachusetts Biotechnology Research Institute; \$930,000 for the Michigan Biotechnology Institute; \$800,000 for the Center for Global Competitiveness at Saint Francis College in Loretto Pennsylvania; \$465,000 for the Center for Manufacturing Productivity at the University of Massachusetts at Amherst; and \$1,552,000 for the National Textile Center University Consortium.</p> | | |
| <u>Pay Raises</u> | | |
| 1994 Locality pay raise | 0 | 3,284 |
| A locality pay raise was implemented in January 1994 | | |
| Total cost in 1995 of 1994 locality pay raise | | 3,055,000 |
| Less amount funded in 1994 | | 0 |
| Less amount absorbed | | <u>0</u> |
| Amount requested in 1995 to provide full-year costs of 1994 locality pay raise | | 3,055,000 |
| Payment to Working Capital Fund | | <u>229,000</u> |
| Total adjustment for 1994 locality pay raise | | 3,284,000 |

| | |
|------------|---------------|
| <u>FTE</u> | <u>AMOUNT</u> |
| 0 | 1,286 |

1995 pay increase and related costs:

A general pay raise of 1.6% is assumed to be effective January 1, 1995

| | |
|---|-----------|
| Total cost in 1995 of 1995 increase | 1,220,000 |
| Less amount absorbed | 0 |
| Amount requested for 1995 pay increases | 1,220,000 |
| Payment to Working Capital Fund | 66,000 |
| Total adjustment for 1995 pay increase | 1,286,000 |

| | | |
|--|---|-----|
| Full-year cost in 1995 of positions financed for part-year in 1994 | 0 | 380 |
|--|---|-----|

An increase of \$379,840 is required to fund the full-year cost in 1995 of positions financed for part-year in 1994. The computation follows:

| | FTE | Amount |
|---|-----|-----------|
| Annual salary of new positions in 1994 | 0 | 1,312,880 |
| Less 5 percent lapse | 0 | -65,644 |
| Full-year cost of personnel compensation | 0 | 1,247,236 |
| Less personnel compensation in 1994 | 0 | - 984,660 |
| Cost of personnel compensation 1994 | 0 | 262,576 |
| Adjustment for 1995 pay raise (.020 x .75 x 262,576) | 0 | 3,939 |
| Amount required for personnel compensation | 0 | 266,515 |
| Benefits | 0 | 113,325 |
| Total, adjustment to base for 1994 | 0 | 379,840 |

| | | |
|----------------------------|---|-------|
| Within-grade step increase | 0 | 1,010 |
|----------------------------|---|-------|

An increase of \$1,010,200 is required to cover the cost of within-grade step increases. This estimate reflects the net cost of step increases including merit pay increases which will be earned in 1995.

GS/GM

| | |
|---|-------|
| Estimated number of within-grade step increases | 950 |
| Step increases not earned due to turnover (13.2% x 950) | 126 |
| Average step above step 1 per separation | 3 |
| Average cost of schedule step increases | 1,232 |

FTE AMOUNT

| | |
|---|----------------|
| Gross cost of scheduled step increases (1,232 x 950) | 1,170,400 |
| Less savings due to separations (\$1,232 x 126 x 3) | <u>465,696</u> |
| Subtotal, personnel compensation | 704,704 |
| Benefits | <u>106,471</u> |
| Total, adjustment-to-base GS/GM | 811,175 |
| Foreign Service | |
| Estimated number of within-grade step increases | 97 |
| Step increases not earned due to turnover (2.2% x 97) | 2 |
| Average step above step 1 per separation | 3 |
| Average cost of scheduled step increases | 1,819 |
| Gross cost of scheduled step increases (1,819 x 97) | 176,443 |
| Less savings due to separations (\$1,819 x 2 x 3) | <u>10,914</u> |
| Subtotal, personnel compensation | 165,529 |
| Benefits | <u>33,496</u> |
| Total, Adjustment-to-Base Foreign Service | 199,025 |
| Total, adjustment-to-base within-grade step increase | 1,010,200 |

Changes in Compensable Days

0 (470)

The decreased cost of one less compensable day in 1995 compared to 1994 is calculated by dividing the 1994 estimated personnel compensation (\$108,919,000) and applicable benefits (\$13,636,000) by 261 compensable days. The cost decrease of one compensable day is \$469,559.

Civil Service Retirement System (CSRS)

0 (552)

The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 63.2% in 1994 to 53.9% in 1995 for regular and foreign service employees. Contribution rates will remain the same.

FTE AMOUNT

Regular:
 1995 \$68,782,000 x .539 x .07 2,595,145
 1994 \$68,782,000 x .632 x .07 3,042,916
 Subtotal - 447,771

Foreign Service:
 1995 \$14,926,000 x .539 x .075 603,384
 1993 \$14,926,000 x .632 x .075 707,492
 Subtotal -104,149
 Total adjustment to base -551,880

Federal Employees Retirement System (FERS)

0 1,160

The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 36.8% in 1994 to 46.1% in 1995 for regular and foreign service employees. The contribution rate will remain at 12.9% for regular employees, 24.1% for Foreign service employees, in 1995.

Regular:
 1995 \$68,782,000 x .461 x .129 4,090,397
 1994 \$68,782,000 x .368 x .129 3,265,219
 Subtotal 825,178

Foreign Service:
 1995 \$14,926,000 x .461 x .2410 1,658,294
 1994 \$14,926,000 x .368 x .2410 1,323,757
 Subtotal 334,536
 Total adjustment to base 1,159,714

FTE **AMOUNT**
0 156

Thrift Savings Plan (TSP)

The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain at 2%.

Regular and Foreign Service:

1995 \$83,708,000 x .461 x .02 771,788
1994 \$83,708,000 x .368 x .02 616,091

Total adjustment to base 155,697

Federal Insurance Contribution Act (FICA) 0 538

As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will rise from \$60,150 in 1994 to \$61,150 in 1995. The contribution rate will remain the same at 6.20%.

Regular:

1995 \$68,782,000 x .461 x .9820 x .062 1,930,540
1994 \$68,782,000 x .368 x .9465 x .062 1,485,371
Subtotal 445,169

Foreign Service:

1995 \$14,926,000 x .461 x .8750 x .062 373,288
1994 \$14,926,000 x .368 x .8480 x .062 288,788
Subtotal 84,500

* Other than Permanent:

1995 \$4,006,000 x .9820 x .062 243,901
1994 \$4,006,000 x .9465 x .062 235,084
Subtotal 8,817

Total Adjustment to Base 538,486

FTE AMOUNT
0 (78)

Employees' Compensation Fund

The Employees's Compensation fund bill for the year ending June 30, 1993, is \$77,528 lower than the bill for the year ending June 30, 1992. The charges will be reimbursed to the Department of Labor pursuant to 5 U.S.C. 8147.

Health Insurance

Effective January 1993, this bureau's contribution to Federal employees' health insurance premiums increased by 8.3%. Applied against the 1994 estimate of \$3,267,000, the additional amount required is \$271,161.

Per diem increase

Effective March 12, 1993, the General Services Administration raised per diem rates. This increase results in a 6.3% increase to this bureau. This percentage was applied to the 1994 domestic per diem estimate of \$655,810 to arrive at an increase of \$41,316

Other Telephones

Effective with the transition to WITS, based on a \$12.52 per line cost, the per line costs increased to \$22.57 an increase for the ITA HCHB users of \$10.05 per line month. This was essentially due to the mandatory imposition of GSA's \$10.05 common Distributable Charge (CDC).

Calculation:

\$10.05 per line
x 12 months
120.60 Annual per line increase
x 1,769 ITA telephone lines
213,341 Additional requirement
- 113,000 FY 1994 Approved ATB
100,341 FY 1995 ATB

0 271

0 41

0 100

FTE AMOUNT
0 620

Rental Payments to GSA

GSA rates are estimated to increase for FY 1995 Based on currently occupied space ITA requests an adjustment to base of \$619,918.

Calculation:

1995 GSA estimate \$13,394,124
Less: other parking 238,206
1995 Rental payments to GSA 13,155,918
1994 Estimate -12,536,000
1995 Adjustment to base 619,918

Rental Payments to Others

Based on GSA estimates for other parking from the Office of Federal Property Programs. ITA requests an adjustment to base of \$3,206.

Calculation:

1995 - other parking estimates \$238,206
1994 - other parking estimate 235,000
1995 - Adjustment to base 3,206

GPO Printing

GPO has provided an estimated rate increase of 3.0 %. This percentage was applied to the 1994 domestic printing estimate of \$3,073,000 to arrive at an increase of \$92,190.

Working Capital Fund

An increase of \$296,000 is required to fund cost increases in the Departmental working capital fund to maintain the current level of operations.

Audit Cost

An increase of 3 FTE and \$231,525 is required to cover the cost of auditing financial statements, as required by the CFO Act.

0 3

0 92

0 296

3 232

FTE AMOUNT

0 54

Supplies and Materials

Based on the GNP deflator of 2.8%, the cost of domestic supplies and materials is expected to increase by \$54,376 from the 1994 estimate of \$1,942,000.

Foreign Affairs Administrative Support (FAAS)

The State Department anticipates increases for FAAS charges and local guard service. For FY 1995 the combined estimated cost is \$12,930,460. The funds available in ITA's base for these two items total \$10,639,838. The required adjustment to base is \$2,290,622.

Overseas Wage Increases FY 1994 Recalculation

The adjustment to base in the FY 1994 Presidents Budget for FSN salary increases of \$1,730,137 has been recalculated using econometric forecasting methods with revised State Department information. The recalculated cost of FY 1994 FSN salary increases is \$1,434,281. ITA requests an adjustment to base for FY 1995 of \$-295,856.

Overseas Price Increases FY 1994 Recalculation

The adjustment to base in the FY 1994 Presidents's Budget for overseas price increases of \$2,617,148 has been recalculated using econometric forecasting methods with revised State Department information. The recalculated cost of FY 1994 overseas price increases is \$2,354,542. ITA requests an adjustment to base for FY 1995 of \$-262,606.

Overseas Wage Increases FY 1995

The FSN salary increase is for wage adjustments in 64 countries based on calculations using econometric forecasting methodology. The FY 1994 fiscal plan amounts for each country are determined. Econometric forecasting is then utilized to determine two components by country: A) the percentage change

in wages; and B) the forecasting of FY 1994 and FY 1995 exchange rates.

This data is then converted into an anticipated percentage increase factor for wages. In cases where data is unavailable, historical information is utilized to obtain a percentage factor. Once percentage factors are chosen for each country, the total \$1,359,820 is utilized as the anticipated adjustment to base.

Step 1: Fiscal Plan FSN wages are calculated including benefits.

Step 2: Econometric modeling determines:

A: Percentage increase in wages; and

B: Forecast of FY 94 and FY 95 exchange rates.

Step 3: Econometric modeling utilizing the data above determines a percentage factor to forecast an adjustment to base for FY 1995.

Adjustment to Base Overseas Wage Increase for 1995 1,359,820

Overseas Price Increase FY 1995 0 951

The overseas price increase is based on anticipated overseas price increases in 1995 of the countries in which ITA conducts operations. The percentages used were obtained via the same methodology outlined for the Foreign Service Nationals Wage increases.

Step 1: Fiscal Plan increases for Other Objects, FAAS, Temporary Living Allowances, and U.S. Allowances are calculated.

Step 2: Econometric modeling determines:

A: Percentage increase in prices; and

B: Forecast of FY 94 and FY 95 exchanges rates.

Step 3: Econometric modeling using the data determines a percentage factor to forecast an adjustment to base for FY 1995.

Adjustment to Base Overseas Price Increases for 1995 950,623

Total

3 3,924

ITA-25

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: International Trade
Subactivity: Trade Development

| | | 1994 | | | | | | Increase/
(Decrease) | | | |
|--------------------|-----------------------|--------|--------|---------------------|--------|-------|--------|-------------------------|------------------|-------|--------|
| | | 1993 | | Currently Available | | 1995 | | | 1995
Estimate | | |
| | | Actual | | | | Base | | | | | |
| | | Pers. | Amount | Pers. | Amount | Pers. | Amount | Pers. | Amount | Pers. | Amount |
| Trade Development | | | | | | | | | | | |
| | Management and Policy | | | | | | | | | | |
| | Coordination | 72 | 7,866 | 80 | 8,013 | 80 | 8,394 | 79 | 8,344 | (1) | (50) |
| | | 63 | 8,775 | 78 | 8,813 | 78 | 8,394 | 77 | 8,344 | (1) | (50) |
| | Sectoral Analysis | 331 | 41,383 | 348 | 46,316 | 348 | 39,201 | 340 | 41,200 | (8) | 1,999 |
| | | 297 | 39,915 | 337 | 46,716 | 338 | 39,201 | 330 | 41,200 | (8) | 1,999 |
| | Trade and Economic | 58 | 5,458 | 62 | 5,574 | 62 | 5,875 | 61 | 6,745 | (1) | 870 |
| | Analysis | 54 | 4,896 | 59 | 5,828 | 59 | 5,875 | 58 | 6,745 | (1) | 870 |
| Direct Obligations | | | | | | | | | | | |
| | | 461 | 54,707 | 490 | 59,903 | 490 | 53,470 | 480 | 56,289 | (10) | 2,819 |
| | FTE/Obl. | 414 | 53,586 | 474 | 61,357 | 475 | 53,470 | 465 | 56,289 | (10) | 2,819 |

Department of Commerce
International Trade Administration
Operations and Administration
**JUSTIFICATION OF PROGRAM AND PERFORMANCE FOR
TRADE DEVELOPMENT**

Goals and Objectives for FY 1995

Goals: The goal of Trade Development is to contribute towards maximizing United States gains from international trade (i.e. high wage jobs) and to increase America's competitiveness in the world economy by advancing U.S. exporters' interests in foreign markets.

Objectives: To achieve success in the highly complex international marketplace of the nineties, the United States must build a formidable, mutually supportive private sector/Federal Government partnership. As the only organization within the Department of Commerce, and perhaps Federal Government, with both a strategic view of the global trade environment and a unique understanding and knowledge of industry (both domestic and international), Trade Development (TD) is committed to building that partnership, industry-by-industry, sector-by-sector. On a macro level, the framework of such a partnership must include:

- o private sector/Federal Government teamwork in fashioning multilateral and bilateral trade agreements that provide the foundation for free trade and economic development for all their signatories;
- o a concerted effort to break down barriers American exporters face overseas;
- o analyses of global markets to foresee structural changes in economies, thereby placing the United States in a better position to make the necessary changes within industries to meet new challenges; and
- o a dynamic U.S. international market development strategy that meets U.S. industry's needs as perceived by U.S. industry.

TD contributes on a micro level to building this framework by:

- o producing quality, customer-driven products and services that identify trade, finance and investment opportunities, that discern both positive and negative factors that influence U.S. competitiveness in foreign markets, and that assist U.S. firms in furthering their export marketing objectives;
- o developing, in partnership with industry trade associations and firms that are industry leaders, formal, strategic work plans spelling out trade promotion and policy options available to capitalize on high potential market opportunities and to remove barriers to trade;
- o serving as an advocate and point of contact through which U.S. industries can articulate concerns over trade negotiations to the Federal Government and its negotiators.

Base Program

Management and Policy Coordination: This area provides central management, through the authority of the Assistant Secretary, to ensure policy and program consistency throughout TD and ITA. It includes the immediate staff of the Assistant Secretary, the Office of Planning, Coordination and Resource Management (OPCRM) and the Office of Export Promotion Coordination (OEPD).

OPCRM coordinates and facilitates the development and implementation of goals and strategic plans for TD's multi-sectoral initiatives (e.g. the Newly Independent States initiative); prepares cross sectoral economic policy analyses in support of TD's mission; and manages assignments for the Assistant Secretary, including reports requested by other agencies.

Acting on expert advice from TD industry specialists, OPCRM develops strategies for removing foreign trade barriers and for assessing the impact of imports and legislation on U.S. industries. OPCRM's mission is to provide the broad industry perspective necessary to establish negotiating priorities and ensure consistent legislation and effective enforcement of U.S. trade laws such as import relief laws, Section 301, Special 301, Title VII, and the Generalized System of Preferences. OPCRM also operates the Market Development Cooperator Program through which ITA underwrites innovative private sector market development ideas, thus productively pooling Federal and non-Federal market development resources and creating new and lasting ITA/private sector partnerships.

OEPD provides central direction to TD's export promotion program including:

- o analysis of comparative export potential for U.S. goods and services in overseas markets;
- o assistance in evaluating export promotion activities;
- o assistance in preparing fiscal plans for trade events;
- o supplemental recruiting and logistical support;
- o development of new trade promotion programs;
- o training and guidance in selecting and carrying out activities tailored to specific markets and industries; and
- o coordination of special customer-driven overseas export promotion initiatives such as the Japan Corporate Program.

OEPD supports the Trade Promotion Coordinating Committee (TPCC), a group that includes 19 Federal agencies involved in international trade, in their efforts to develop a Government-wide strategy for export promotion. The Export Enhancement Act of 1992, which gave statutory authority to the TPCC, designates the Secretary of Commerce as Chairperson, assigns the core member agencies, and requires an annual report to Congress on actions taken by the TPCC to develop and implement a strategic plan for Federal trade promotion efforts and a proposed annual unified budget. The TPCC has established a Trade Information Center which provides one-stop export information on the Center's toll-free line, 1-800-USA-TRADE. Center staff advise exporters on how to locate and use Government programs and guide them through the export process.

In an effort to identify U.S. industry's trade policy and promotion needs and concerns, OEPC manages the Industry Consultations Program (including 17 Industry Sector and three Functional Advisory Committees on Trade Policy Matters, a Committee of Chairmen, the Industry Policy Advisory Committee and a Trade Advisory Center) and supports the President's Export Council. OEPC also is the central point of contact for the development and implementation within TD of activities to support small business exports.

Summary of Workload and Performance Data

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--|-------------------|---------------------|---------------------|
| Presidential/secretarial missions supported | 2 | 2 | 2 |
| Review/develop legislative initiatives | 1,050 | 1,100 | 1,100 |
| Market opening initiatives supported | 13 | 14 | 15 |
| Cross-sectoral position papers/studies/reports | 80 | 95 | 95 |
| Liaison and Representation: | | | |
| Multilateral/bilateral negotiations | 9 | 13 | 14 |
| Business counseling sessions | 385 | 485 | 385 |
| Interagency meetings | 280 | 280 | 280 |
| Market development/cooperator program | | | |
| cooperative agreements | 6 | 5 | 5 |
| Trade information counseling telephone calls | 45,000 | 47,000 | 49,250 |
| Export promotion monitoring reports | 6 | 6 | 6 |
| Export promotion program evaluation reports | n/a | n/a | 4 |
| Japan corporate program assessments | 20 | 20 | 20 |
| "Best Prospects" export market evaluations | 30 | 30 | 30 |
| Advisory committee meetings | 70 | 85 | 95 |

* Includes special consultations for NAFTA.

Sectoral Analysis--The Sectoral Analysis subactivity, consisting of the activities of four industry groups--(1) Basic Industries, (2) Service Industries and Finance, (3) Technology and Aerospace Industries, and (4) Textiles, Apparel and Consumer Goods Industries--promotes the interests of U.S. business exporters by:

- o studying, analyzing and reporting on the status of covered industries in domestic and international markets;
- o developing trade policy initiatives and analyzing policy proposals from an industry perspective; and
- o carrying-out international market development activities to facilitate U.S. firms' market penetration and market expansion in foreign markets where a compelling role for Government help is identified.

TD's strong customer orientation allows it to develop and sustain a strong linkage and balance between these three facets of its activities. In this regard, each of TD's industry specialists works assiduously to establish productive relationships with trade associations and other industry organizations. Industry specialists solicit the involvement of their clients in planning industry outreach, identifying key U.S. industry problems and issues, enhancing trade promotion efforts, and ensuring that industry views are considered in policy development efforts.

TD's industry specialists are the Federal Government's experts on the status of, and prospects for, U.S. industries. They collect and analyze a variety of data, including production, costs, prices, financial and labor conditions, technological advances, distribution, markets (both foreign and domestic), trade patterns and other factors in order to understand and support U.S. industries. Based on their analyses of these data, TD industry specialists prepare forecasts for U.S. industries or industry sectors which are published annually in the U.S. Industrial Outlook, TD's premier publication. Dissemination of this information, however, is not limited to this one publication. Sector group industry specialists are also in demand for individual counseling by telephone, fax, letter, and personal visits from U.S. companies seeking to incorporate their expertise into the company's marketing decision-making. Staff also speak at meetings, conferences, and seminars conducted by the private sector and by other governmental bodies.

TD industry specialists also prepare a number of specific reports, including a minerals and mining study and forest products studies mandated by Congress; studies on the coal industry as part of the implementation of the National Coal Export Policy; studies and reports mandated by the International Security and Development Cooperation Act of 1985 (P.L. 99-64); and Section 126 of the Export Administration Act of 1985 (P.L. 99-64); analyses for the National Security Council on strategic stockpile substitution; over 100 Strategic Stockpile Planning Reports prepared annually for the Federal Emergency Management Agency (FEMA); and under the Defense Production Act, the conduct of several mandatory surveys for use in Mobilization Planning. Special competitiveness studies and reports also are prepared, published and made available to industry, other government agencies, the Congress and the public on a regular basis.

Sector group industry specialists apply their extensive industry knowledge, including the data they have collected and analyzed, to a wide variety of policy-related activities, including:

- o participating in the development of policy positions and negotiating strategies for use in multilateral and bilateral negotiations;
- o providing analyses and policy development to support Administration initiatives against unfair trade practices;
- o analyzing and commenting on (for the Administration's use) proposed product/services-specific trade legislation;

- o participating in trade negotiations (e.g., GATT, EC, Japan) where industry competence and knowledge are essential to achieving U.S. objectives; and
- o assessing obstacles, threats and opportunities regarding U.S. trade issues on an industry basis, including selective cross-industry analyses.

To support these efforts, the sector groups work closely with the seventeen Industry Sector Advisory Committees, consultative bodies made up of private-sector authorities which advise on policy issues affecting specific industries. These committee members, often company Presidents, CEO's or other high-ranking company and association officials, provide valuable industry insight and recommendations on particular policy issues and help ensure that industry's voice is heard in policy debates.

Examples of specific policy initiatives and trade negotiations to which sector group industry specialists continue to make an important contribution include:

- GATT negotiations,
- NAFTA negotiations,
- the U.S.-Japan Major Projects Agreement,
- the Auto Parts Market Oriented Sector Selective (MOSS) talks,
- GATT Agreement on Trade in Civil Aircraft,
- the Japan Semiconductor Arrangement,
- the Japan Supercomputer Agreement,
- textile trade agreements under the Multifiber Arrangement Regarding International Trade in Textiles (MFA),
- Special 301 actions, and
- Organization for Economic Cooperation and Development (OECD) committee deliberations.

The sector groups also undertake a wide variety of international market development activities including:

- o planning, organizing, and recruiting participants for trade promotion events overseas (trade missions, trade fairs, etc.) managed by the sectors and/or US&FCS overseas posts;
- o organizing and/or participating in domestic export conferences and seminars to promote industry awareness of foreign market opportunities;
- o publishing industry-specific studies and other research on U.S. competitiveness in specific foreign markets;

- o working in partnership with carefully selected U.S. firms from a variety of industrial sectors participating in ITA's Japan Corporate Program, a high-visibility trade promotion initiative to increase U.S. exports to Japan and to evaluate barriers to U.S. entry into that market;
- o supporting the Newly Independent States (NIS) Business Development Committees;
- o administering the Export Trading Company Act of 1982;
- o monitoring countertrade trends and publishing lists of commercial opportunities involving countertrade;
- o representing and advancing the interests of the U.S. business community at meetings of the Eximbank and OPIC Boards of Directors;
- o working with multilateral development banks in support of the Department's international major projects program and general export efforts; and
- o administering the Consortia of American Businesses in the Newly Independent States (CABNIS) program.

To structure TD's role in the evolving partnerships with trade associations and other industry groups, TD industry specialists work with these industry groups to develop formal, strategic work plans spelling out trade promotion and policy options available to capitalize on high potential market opportunities and to remove barriers to trade.

Summary of Workload and Performance Data

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--|-------------------|---------------------|---------------------|
| Evaluate, analytical or position
papers/reports prepared | 2,000 | 2,000 | 2,000 |
| Interagency or international sectoral meetings
participated in | 500 | 500 | 500 |
| Textile bilateral negotiations | 12 | 29 | 10 |
| Textile and apparel country quotas implemented | 42 | 47 | 50 |
| Competitive assessments prepared | 4 | 4 | 4 |
| Major project leads disseminated | 420 | 420 | 380 |
| Trade promotion events (missions, seminars,
shows, etc.) recruited and supported (excluding
certified shows) | 60 | 60 | 65 |
| Applications processed for antitrust export trading
company certificates of review | 20 | 20 | 20 |

Firms covered by antitrust export trading company

| | | | |
|------------------------|-------|-------|-------|
| certificates of review | 5,100 | 5,300 | 5,500 |
| CABNIS grants awarded | 7* | 3 | 0 |

* Funding provided by AID

Trade and Economic Analysis: As ITA's primary unit for macroeconomic trade, international investment and inter-industry analysis and forecasting, Trade and Economic Analysis (TEA) conducts major economic studies designed to assist policy development and implementation and to support Federal Government and private sector export development activities. TEA often works in cooperation with the four TD sector groups and other ITA units to combine methodological and issue-specific expertise.

In particular, TEA is responsible for U.S. Government representation, analysis and support for the OECD Industry Committee and coordination of DOC participation on the Committee on Foreign Investment in the United States (CFIUS), including the national security reviews mandated by the Exon-Florio provisions of the Omnibus Trade Act of 1988. TEA provides analysis and information to various Commerce units, the entire U.S. Government trade community and the U.S. business community through a combination of computer-based delivery systems, microfiche and printed materials. The Trade Policy Information System (TPIS) supplies automated detailed trade and related economic data to the U.S. trade community. The publicly-accessible Trade Reference Room provides private sector and USG analysts with recent trade and economic data for the United States and its trading partners. TEA is also responsible for developing and disseminating information from the Exporter Data Base--a new set of data identifying the numbers, export levels, industry focus, and geographic location of U.S. exporters. These data support multilateral and bilateral U.S. trade policy initiatives and the varied export development efforts of the U.S. Government, state and local agencies and private sector businesses.

TEA publishes annually the U.S. Industrial Outlook, U.S. Foreign Trade Highlights and Foreign Direct Investment Transactions in the United States, as well as periodic reports on U.S. international direct investment, U.S. manufactures trade and other international economic topics. The U.S. Industrial Outlook serves as the most comprehensive USG assessment of developments in U.S. industry sectors and the implications for U.S. trade prospects. The Outlook provides a centralized source of comparative sectoral data and an integrated short-term assessment of industry prospects. The publication includes contributions from other federal agencies, contains special analyses of topical issues, and is reflective of the industry expertise needed to support USG policy initiatives and export development programs.

Summary of Workload and Performance Data

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--|-------------------|---------------------|---------------------|
| Major policy issue analyses/evaluations | 10 | 12 | 12 |
| Periodic international economic reports | 12 | 12 | 12 |
| Forecasts of U.S. trade & global economic conditions | 14 | 15 | 15 |
| Speeches/testimony/talking points | 25 | 25 | 25 |
| OECD industry committee meetings supported | 3 | 3 | 3 |
| Foreign direct investment transactions identified | 650 | 700 | 700 |

| | | | |
|---|--------|--------|--------|
| Exon-Florio national security reviews of FDI transactions | 100 | 100 | 100 |
| Number of data accessions using TPIS | 19,000 | 19,000 | 19,000 |
| Trade reference room visitors | 1,250 | 1,500 | 1,750 |
| U.S. <u>Industrial Outlook</u> copies sold | 22,300 | 24,000 | 25,000 |

Department of Commerce
International Trade Administration
INCREASE FOR FY 1995
Trade Policy Information System
(Dollar amounts in thousands)

| | 1995 Base
Personnel | Amount | 1995 Estimate
Personnel | Amount | Increase
Personnel | Amount |
|---------------------------------------|------------------------|--------|----------------------------|--------|-----------------------|--------|
| | | | | | | |
| Trade and Economic Analysis | 62 | 5,875 | 62 | 6,786 | 0 | 911 |
| Pos./BA
FTE/Obl. | 59 | 5,875 | 59 | 6,786 | 0 | 911 |

Trade Policy Information System (+0 FTE, +\$911,000) -- This request will enable Trade Development (TD) to create a modern, downsized replacement for the current Trade Policy Information System (TPIS), housed at the National Institutes of Health (NIH), which will be terminated in 1996.

To fulfill its basic mission, the International Trade Administration (ITA) must maintain the capabilities to: (1) collect and disseminate essential trade data required for formulating and implementing U.S. trade policy and for export development; (2) provide analytical support to the Trade Promotion Coordinating Committee (TPCC) in its development of a coordinated strategic plan for the U.S. Government (USG); and (3) provide quality service in meeting the information needs of the USG trade community and the private sector.

The TPIS serves as the USG's primary electronic repository of detailed current and historical trade data, including: (a) U.S. foreign trade data -- the detailed U.S. merchandise trade statistics compiled by the Bureau of the Census; (b) United Nations trade data -- trade statistics of over 170 reporting countries on a comparable basis; and (c) International Monetary Fund and World Bank databases -- multi-country statistics on international finance, direction of trade, and developing country debt. The analytical and processing capabilities of TPIS are as important as its wide range of detailed data.

TPIS data are also used to develop the major trade promotion and trade development publications produced by the USG, which are extensively used by the private sector business community, such as the U.S. Industrial Outlook, the U.S. Foreign Trade Highlights, Business America, CHI Business Bulletin, Foreign Economic Trends, Europe NOW, Competitive Assessments, and Overseas Business Reports.

In view of the importance of the TPIS, we are faced with a significant problem. The General Services Administration has revoked the Federal Data Processing Center charter of NIH and use of the NIH facility is possible only through September 1996. Therefore, the TPIS must be replaced.

The option of moving mainframe processing to the DOC's Office of Computer Services installation in Springfield, VA is not viable because the database contains segments written in languages peculiar to the NIH installation. Conversion costs would be extremely high. If we were to expend funds for conversion, we would end up, at best, with an outdated system.

To ensure that the DOC continues to maintain this essential trade information service for its own trade policy analysis and trade promotion functions, as well as to meet the needs of its customer base, the U.S. trade community, we propose the following approach to replacing the TPIS:

- Create a new desktop-accessible system which will be less costly than replicating the obsolescent NIH TPIS. The system will utilize modern, small computers, highly efficient storage devices, and automated telephone services to improve customer service;
- Design the new system with the additional capacity to accommodate new databases, such as the new Census/ITA-developed Exporter Data Base (EDB) and sector-specific foreign market trade barrier inventory;
- Provide ITA industry and country-desk officers with direct, almost instantaneous, on-line access to data to provide quick turnaround on customers' requests for information and on responses to policy-related analysis and research; and
- Enable other USG trade agencies to access databases using dial-up facilities (as they do for TPIS now), or wide area networks (WANs). The NIH-based TPIS was accessed almost 20,000 times by more than 350 users in over 25 Federal agencies in FY 1992.

Replacement of the TPIS will provide the following benefits:

- More accurate, timely and consistent trade data for trade policy formulation and analysis;
- Better decision-making through the ability to perform more sophisticated, and comprehensive analyses of trade data;
- Enhanced ability to anticipate trade actions on the part of foreign governments through enhanced system capabilities to analyze historical data and project future trends;
- Essential tool for analyzing alternatives and developing a strategic plan for coordinating the U.S. Government's export strategy; and
- Greater customer satisfaction through increased access to, and additional sources of, essential trade data and information.

Performance Measures:

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|--|------|------|------|------|------|
| Percentage increase in number of TPIS accessions over current system's level of acting | 0 | 0 | 0 | 20 | 20 |

Department of Commerce
International Trade Administration
Operations And Administration
**JUSTIFICATION OF PROGRAM AND PERFORMANCE FOR
IMPORT ADMINISTRATION**

Goals and Objectives for FY 1995

Goal: The goal of this subactivity is to improve American competitiveness through effective administration of U.S. trade laws and enforcement of sector-specific trade agreements that govern U.S. imports.

Objectives: ITA will achieve this Department of Commerce goal by taking prompt, aggressive action against unfair trade practices through the administration and enforcement of U.S. trade laws and negotiated agreements to address sector-specific trade distorting practices. The objectives of this activity are to conduct antidumping (AD) and countervailing duty (CVD) investigations and administrative reviews within statutory time limits; administer the U.S.-Japan Machine Tool Cooperation Plan; administer the new U.S.-Japan Semiconductor Arrangement; administer the Foreign Trade Zones Program; and manage and support special import programs.

Base Program

Import Administration (IA) -- IA defends American industry against injurious trade practices by administering efficiently, fairly and in a manner consistent with U.S. international obligations: the antidumping and countervailing duty laws of the United States; the U.S.-Japan Machine Tool Cooperation Plan and the new U.S.-Japan Semiconductor Arrangement.

The major objectives of this subactivity are to process and complete investigations and administrative reviews within the statutory time limits of the trade laws and implement other requirements of the U.S. AD and CVD laws. IA will also execute the AD and CVD provisions in legislation implementing the Uruguay Round Trade Agreement. This program is comprised of four principal program areas: AD/CVD Investigations; AD/CVD Compliance; AD/CVD Policy; and AD/CVD Accounting. AD/CVD laws are administered in a manner consistent with overall U.S. trade policy, the relevant statutes, and international obligations.

The Deputy Assistant Secretary (DAS) for Investigations is responsible for conducting investigations in cases where there is reason to believe that imports are being subsidized or are being sold in the United States at less than fair value. Affirmative determinations, supported by injury determinations made by the International Trade Commission, can result in AD/CVD assessments which are then collected by the Customs Service. This program is the primary contact for petitioning U. S. industries.

Once an investigation has been completed and an AD/CVD order issued or suspension agreement accepted, the Deputy Assistant Secretary for Compliance is responsible for the monitoring and administrative review of the order or agreement.

o **Investigations:** The Offices of Antidumping Investigations and Countervailing Investigations are charged with conducting the initial investigation under the AD/CVD laws where there is reason to believe imports are being unfairly subsidized or sold in the U.S. at less than fair value. Each investigation must be completed within strict statutory deadlines, and the investigations vary widely in terms of scope and complexity. Each investigation requires: (1) analysis of information provided by the petitioning U.S. industry to determine whether an investigation should be initiated; (2) preparation of extensive questionnaires, to be answered by the relevant foreign governments and/or industry, which seek information about foreign government programs available to firms, and the individual firm's prices and costs; (3) analysis of responses to the questionnaires and verification of such responses on-site in the foreign country at the relevant government and/or industry offices; (4) calculation of estimated subsidy or dumping margins; and (5) preparation of preliminary and final determinations, including Federal Register notices that explain each determination and discuss and resolve each issue raised by the parties to the investigation. When the results of a final determination are challenged in the Court of International Trade or, for Canadian cases, under the Free Trade Agreement (FTA), the Investigations unit provides support to the Chief Counsel for IA and the Justice Department. If a case is remanded to IA by the Court of International Trade, the investigation is re-conducted in accordance with the Court's instructions.

In addition, these offices counsel U.S. industries that are considering filing AD or CVD petitions. This requires Investigations staff to meet with industry representatives in Washington or at the industry's offices or factories; educate the industry representatives about the requirements of the AD/CVD laws; review information provided by the industry; and advise whether additional information would be necessary to justify the initiation of an investigation. Investigations is particularly active in counseling small U.S. businesses which are less able to afford legal counsel and in assisting them in preparing AD/CVD petitions. In addition, considerable resources are expended in counseling larger businesses and their legal counsel at the pre-petition phase of an investigation. When the Department is considering self-initiation of an investigation, these offices are required to conduct an in-depth pre-initiation investigation and convey the results in a memorandum, to both the Deputy Assistant Secretary and the Assistant Secretary for IA, that recommends whether an investigation should be self-initiated. Staff is also required, in each investigation, to monitor and control the dissemination of business proprietary information to counsel for parties through the issuance of administrative protective orders. When violators of the protective orders are alleged, they are investigated by staff. Finally, Investigations staff drafts responses to allegations that the AD/CVD laws have been violated and inquiries regarding on-going and potential AD/CVD investigations for Departmental officials and Congress.

In addition to these specific case-related activities, Investigations also undertakes special assignments at the request of the Assistant Secretary and Deputy Assistant Secretary for IA. Currently, Investigations is providing staff support for developing implementing legislation in response to the Uruguay Round Trade Agreement as well as GATT challenges to recent final determinations. Our Investigations unit also participates in briefings, given in Washington and foreign countries, for foreign government officials, lawyers, and businessmen on the application of the AD and CVD laws. For example, the unit recently participated in a training session for the benefit of foreign governments concerning administration of the AD/CVD laws. These non-case specific activities are expected to continue.

o **Compliance:** The Offices of Antidumping Compliance and Countervailing Compliance conduct requested administrative reviews of AD/CVD orders and findings in order to determine first, the estimated AD/CVD duties deposited when merchandise covered by an AD/CVD order is imported, and second, the final amount of the duties to be paid. Compliance also conducts requested administrative reviews of suspended investigations to determine compliance, or lack thereof, with the agreements forming the basis of the suspension. These statutorily mandated reviews require Compliance to obtain and, frequently, verify detailed subsidy, price, and cost of production information. This entails considerable foreign and domestic travel for on-site verification. The administrative review process involves the same tasks as described for the investigatory process (except for petition analyses and initiation activities), namely: preparation and presentation of questionnaires; review of extensive financial and accounting information; analysis of formal written and oral comments on the preliminary results; preparation and publication of final results; and provision of instructions to the Customs Service. Compliance reviews, however, cover longer time periods as well as more firms and transactions than earlier stages in these proceedings. Staff

is also required, in each administrative review, to monitor and control the dissemination of business proprietary information to counsel for parties through the issuance of administrative protective orders and to investigate any violations in treatment of this data. When the results of administrative reviews are challenged in the Court of International Trade or, for Mexican and Canadian cases, under the NAFTA, Compliance provides support to the Chief Counsel for IA and the Justice Department. If the case is remanded by the court, any portion or portions of the review process may have to be repeated.

The workload of this program is constantly expanding because AD/CVD orders are usually in effect for several years and because more AD/CVD orders and suspension agreements are issued than revoked each year. Compliance conducts changed circumstance reviews to address changes that can affect such things as an interested party's current standing to request or participate in the review process or the appropriate AD/CVD duties to apply to imports from entities whose ownership has changed. When revocation requests are ultimately filed, Compliance must investigate and determine the likelihood of the party engaging in these unfair practices in the future. Moreover, an increasing amount of time and resources is devoted to activities such as: various Customs liaison activities, including providing recommendations on the treatment of unliquidated entries, protests, and penalty cases; litigation assistance; and import monitoring triggered by the persistent injurious dumping provision in the 1984 Trade Act. Other particularly resource-intensive activities include scope and anti-circumvention inquiries which constitute their own legal proceedings and are, therefore, subject to litigation. Like administrative reviews, these inquiries require data collection, extensive research, verification, participation by all interested parties, hearings, and Federal Register notices announcing our decisions. Scope cases present such complex issues as determining whether sophisticated newly-developed goods fall within the product coverage of existing orders. A relatively recent addition to the statute, anti-circumvention inquiries have been extremely demanding as they present a wide range of complicated issues for which no body of precedent currently exists.

In FY 1992, Compliance completed the CVD investigation of softwood lumber from Canada, and issued a CVD order. The order covers the largest volume of trade of any case in Compliance, and involves the most complicated subsidy issues ever addressed by the agency. The conduct of the administrative review of this order, and the support of the Office of the Chief Counsel in the FTA panel proceedings will require an increased commitment of Compliance resources.

The Department is aggressively working to obtain a Multilateral Steel Agreement (MSA). If an MSA is achieved, it will include over 30 potential signatories. The MSA will provide for greater discipline on subsidies and the elimination of market access barriers for steel. As U.S. Secretariat to the MSA, Compliance, through its Office of Agreements Compliance (OAC), participates in MSA Parties Group deliberations. Issues include determining if signatories should be granted waivers from MSA disciplines, determining if the non-prohibited practices list should be modified, and reviewing non-signatory practices to determine if they are undermining MSA objectives and recommend appropriate action.

In addition, OAC will serve as focal point for notification of non-prohibited practices; review information collected independently and provided by foreign governments to determine if foreign practices are consistent with the MSA; and investigate industry claims of possible violations. For country-specific waivers, including quantitative restraints, OAC will ensure that the terms of each are met. In addition, if the U.S. becomes a signatory to the MSA, there will be consultations and meetings to ensure that industry concerns are met; to ensure that dispute settlement procedures are met; and to assist in all other proceedings under the MSA. The technical steel expertise developed within the Office of Agreements Compliance will be critical to the continued monitoring of the steel sector and administration of the international consensus.

Additionally, with the expiration of the VRAs, the Compliance staff was critical in investigating and reviewing a wide range of steel products covered by the massive filing of AD/CVD steel petitions in FY 1992. Compliance will be responsible for administering subsequent administrative reviews.

The U.S.-Japan Arrangement on Trade in Semiconductors and the antidumping suspension agreements on EPROMs and 256K (and above) DRAMs expired July 31, 1991. A new arrangement took effect on August 1, 1991. The new arrangement will last for five years with the option to terminate after three years by mutual agreement. The Compliance staff will face continuing activity in this area in the form of bilateral consultations three times a year and frequent interaction with individual counsel for Japanese firms on specific product monitoring issues.

In October 1992, the Department entered into ten-year AD suspension agreements imposing quantitative restraints on all forms of uranium from three former CIS countries (Kazakhstan, Kyrgyzstan and Russia). The Department's responsibilities with respect to each of the agreements include: (1) reviewing documents to be supplied by Customs relating to all entries of uranium from all sources; (2) biannually calculating a market price in order to establish biannual quota for each country; (3) reviewing data supplied by each signatory government concerning sales of uranium in the home market, third country markets, and the U.S.; (4) at least annually, conducting verification of each country's response and license/certificate program; and (5) consulting with each government upon request in order to resolve difficulties.

The AD suspension agreement on Gray Portland Cement and Clinker from Venezuela took effect on February 27, 1992. The agreement states that the Department will issue prospective foreign market values (FMVs) on a calendar quarter schedule, and the FMVs will be based on constructed value information from the previous quarter. Activities in this program include analysis of data, calculation of FMV, verification of data and responding to comments from the interested parties every quarter. The Department issues prospective preliminary quarterly FMVs and final quarterly FMVs. These producers cannot sell their products below the FMVs. Implementing this program requires an increased commitment of Compliance resources.

A U.S.-Japan Cooperation Plan designed to encourage increased sales of U.S. machine tools and machine tool components to Japan and to Japanese transplants in the U.S., and other measures to revitalize the U.S. industry is in effect. As part of monitoring activities, Compliance periodically reviews the industry's performance and participates in consultations with industry representatives.

Compliance also undertakes special assignments at the request of the Assistant Secretary and Deputy Assistant Secretary for Import Administration, such as providing staff support for the OECD Steel Committee and the Multilateral Steel Consensus negotiations. Compliance will also participate in activities related to drafting implementing legislation for the Uruguay Round and to the internationalization of standards for the machine tool industry, along with the Intelligent Manufacturing Systems (IMS) and robotics initiatives.

- o **Office of Policy:** The Office of Policy has played a key role in the continuing AD/CVD aspects of the GATT Uruguay Round multilateral trade negotiations. The Office of Policy has taken the lead role in developing policy and regulatory guidance to implement amendments to AD/CVD practice brought about by the Uruguay Round Agreement. With the development of trade relations with the former republics of the USSR and improving prospects for expanded trade with central and eastern European countries, the Office of Policy will face an increased workload in determining whether such countries continue to maintain non-market economies and how/whether the AD/CVD laws should be applied to them. Other significant activities of the Office will include: (1) analysis of proposed legislative amendments to the AD/CVD laws; (2) formulating U.S. objectives and strategies in negotiations with NAFTA-member countries on current and proposed NAFTA-specific changes to national AD/CVD laws; (3) defense of U.S. AD/CVD decisions before the relevant GATT Committees and in consultations with affected foreign governments; (4) policy development and coordination for numerous anticipated AD/CVD case filings; (5) technical advice on AD/CVD and subsidy issues in various bilateral and plurilateral trade initiatives with the countries of Latin America; and (6) support negotiations on shipbuilding and the industrial subsidies study in the OECD.

The Office also manages Information Technology (IT) planning and activities and provides support to the other IA units in: case program development; IT equipment resources management; IT training; and database development and acquisition. Tailored programs are developed for respondents in each case to accurately and efficiently perform dumping and subsidy calculations. Since calculations are accomplished on both mainframe and microprocessors, careful attention must be paid to the allocation

of equipment, as well as the proper selection of equipment and equipment types. The use of micro-and mainframe processors, software selection and application is the most effective way to integrate information technology into AD/CVD case analysis. Special and general use databases such as exchange rates for the former and econometric models for the latter are examples of the large number of databases developed or acquired to assist IA in supporting its analysis. IA will continue to face an increasing workload in ADP-mainframe computer programming requirements as the number of AD/CVD orders potentially subject to review increases over time.

- o **Office of Accounting:** The Office of Accounting is responsible for adapting "generally accepted accounting principles" for application to the AD/CVD laws and for ensuring that IA implements these and other acceptable and theoretically sound accounting and financial principles in administering the AD/CVD laws. The Office becomes involved in all aspects of IA's AD/CVD program work. Consequently, as the workload increases and becomes more complex in other AD/CVD program offices, the Office of Accounting's workload proportionately increases in volume and complexity.

The AD Act requires that merchandise sold in the United States must be above the prices charged in the home market and that these home market prices must be above the cost to produce the merchandise. When the home market prices are not above the cost of production (COP), a "constructed value" (CV) is used, which is based on the COP. The OA performs all investigative aspects related to determining the COP and CV of the AD investigations and administrative reviews. The functions performed by the OA involve the same tasks as described for the investigatory process. Mainly, review of COP allegations; preparation of product/company-specific questionnaires; analysis of company's submissions; verification of the company's data; determining and resolving complex issues; and drafting complex issues and responses for publication in the Federal Register.

The OA also provides: (1) support to the Office of the Chief Counsel for litigation involving complex accounting and financial areas of the AD Act; (2) expertise critical to the negotiation and administration of suspension agreements; (3) guidance on CVD cases; and (4) counsel to U.S. industries concerning the areas related to the COP/CV. The OA undertakes special assignments at the request of the Assistant Secretary and Deputy Assistant Secretary for IA.

Summary of Workload and Performance Data

Performance:

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--------------------------------------|-------------------|---------------------|---------------------|
| Potential petitioners counselled | 158 | 139 | 139 |
| AD/CVD petitions processed | 47 | 80 | 80 |
| Antidumping investigations | 26 | 60 | 60 |
| Countervailing duty investigations | 5 | 20 | 20 |
| AD margins calculated | 279 | 180 | 180 |
| CVD rates calculated | 135 | 30 | 30 |
| AD margins per analyst | 7.97 | 5.14 | 5.14 |
| CVD rates per analyst | 11.25 | 2.50 | 2.50 |
| Cases requiring accounting support | 198 | 220 | 220 |
| Accounting cases per accountant | 25.50 | 22.00 | 22.00 |
| Administrative protective orders | 1,560 | 1,582 | 1,701 |
| AD orders issued during fiscal year | 51 | 36 | 36 |
| CVD orders issued during fiscal year | 15 | 12 | 12 |

| | | |
|---|-------|-------|
| AD/CVD suspension agreements in effect and monitored | 18 | 18 |
| AD orders | 291 | 327 |
| CVD orders | 98 | 110 |
| Total administrative orders and agreements | 407 | 455 |
| Orders/agreements per analyst | 5.29 | 6.53 |
| Respondents per analyst (admin. reviews) | 21.88 | 20.07 |
| Respondents under review (admin. reviews) | 1,685 | 1,709 |
| Scope inquiries of AD orders | 177 | 196 |
| Requests for administrative reviews of AD/CVD orders & agreements | 184 | 196 |
| Completed administrative reviews of AD/CVD orders & agreements | 142 | 233 |
| Backlogged AD/CVD administrative reviews | 74 | 37 |

Special Import Programs - Included in this function are the Foreign Trade Zones (FTZ) Staff and Statutory Import Programs.

- o **Foreign Trade Zones Program:** This program is administered by the Foreign Trade Zones (FTZ) staff, which serves as the operational arm of the FTZ Board, an interagency body chaired by the Secretary of Commerce. The Board was established to license (grants of authority) and regulate foreign trade zones (customs free zones), under the FTZ Act of 1934 (19 USC 81) and the Board's regulations (15 CFR 400). Zones are sponsored by public or public type corporations, with some operated by private corporations under agreement with licensees. The Act's public utility requirement calls for reasonable and non-discriminatory rates.

The number of zones and subzones has been increasing at an annual rate of over 10 percent. As of the end of 1992, there were 190 zones and 245 subzones. The volume of goods entering zones exceeded \$100 billion in FY 1992. About 90 percent was shipped into subzones for manufacturing operations, 70 percent of which was auto industry related. The Board is required to review manufacturing in zones and subzones in terms of the public interest. In doing so, it carefully evaluates the net economic effect of proposed operations, considering such factors as: trade and tariff policy, import penetration, export development, employment impact, and impact on domestic industry. Zone savings are designed to help improve the international competitiveness of U.S. firms. States and local communities use zones as an element of their economic development efforts. FTZ activity is monitored with continuing assessment of the net economic effect of manufacturing operations and compliance with grant restrictions.

The FTZ Board's regulations (15 CFR 400) underwent comprehensive revision during FY 1992, increasing administrative requirements for the FTZ Staff. The new regulations contain specific criteria and procedures for reviewing manufacturing activity and subzone proposals, and provisions for monitoring ongoing zone activity to ensure public interest program objectives.

- o **Statutory Import Programs:** This program is responsible for administering specific import laws. They include the Insular Watch Assembly Program authorized by P.L. 89-805 and P.L. 97-446; and the Educational Scientific and Cultural Materials Importation Act (Florence Agreement), authorized by P.L. 89-651. The Insular Watch Assembly Program allocates the duty-exemption for watches imported into the United States from the Virgin Islands, Guam, American Samoa and the Northern Mariana Islands and issues special production incentive certificates authorized by P.L. 97-446. The Florence Agreement Program determines whether scientific instruments imported into the United States by non-profit institutions qualify for duty-free entry. The staff also records and tabulates data on the duty-free entry of articles for the handicapped under Annex E(ii) of the Nairobi Protocol.

Summary of Workload and Performance Data

Performance:

Foreign Trade Zones

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--|-------------------|---------------------|---------------------|
| Number of: | | | |
| Applications processed for new zones | 9 | 15 | 15 |
| Applications processed for subzones | 30 | 40 | 45 |
| Applications processed for reorganization of zones | 22 | 35 | 40 |
| Monitoring and enforcement reviews | 150 | 160 | 160 |
| Modification/manufacturing reviews | 130 | 130 | 130 |
| Controlled correspondence | 730 | 750 | 750 |
| Zones tariff schedule filings | 75 | 90 | 95 |
| Rule makings and interpretations | 650 | 650 | 650 |
| Hearings/conferences/meetings | 150 | 175 | 175 |
| Annual reports from zones processed | 200 | 230 | 240 |

Statutory Import Programs

| | | | |
|--|-------|-------|-------|
| Number of: | | | |
| Florence applications processed | 196 | 200 | 200 |
| No. watch duty-exemption allocations
made and certificates issued | 14 | 14 | 14 |
| No. duty-free articles for the
handicapped entries monitored | 2,700 | 3,000 | 3,000 |

Cost and Benefits:

| | | | | | |
|--------------------|-----|-----|-----|-----|----|
| Direct obligations | | | | | |
| Capitalized | 672 | 97 | 17 | 7 | 0 |
| Uncapitalized | 239 | 314 | 64 | 61 | 68 |
| Total | 911 | 411 | 81 | 68 | 68 |
| Budget Authority | 911 | 411 | 81 | 68 | 68 |
| Outlays | 642 | 470 | 228 | 105 | 70 |
| FTE | 0 | 0 | 0 | 0 | 0 |

Activity: Trade Development
Subactivity: Trade and Economic Analysis

| Object class | FY 1995
Increase |
|--|---------------------|
| 111 Personnel compensation | 0 |
| 111.1 Full-time permanent | 0 |
| 111.3 Other than full-time permanent | 0 |
| 111.5 Other personnel compensation | 0 |
| 111.8 Special personnel services payments | 0 |
| 111.9 Total personnel compensation | 0 |
| 12 Civilian personnel benefits (26.96 %) | 0 |
| 12.1 Benefits for former personnel | 0 |
| 21 Travel and transportation of persons | 0 |
| 22 Transportation of things | 0 |
| 23.1 Rental payments to GSA | 0 |
| 23.3 Communications, utilities and miscellaneous charges | 0 |
| 24 Printing and reproduction | 227 |
| 25 Other services | 12 |
| 26 Supplies and materials | 672 |
| 31 Equipment | 0 |
| 32 Lands and structures | 0 |
| 33 Investments and loans | 0 |
| 41 Grants, subsidies and contributions | 0 |
| 42 Insurance claims and indemnities | 0 |
| 43 Interest and dividends | 0 |
| 44 Refunds | 0 |
| 99 Total obligations | 911 |

Department of Commerce
International Trade Administration
INCREASE FOR FY 1995
Environmental Technologies Trade Expansion
(Dollar amounts in thousands)

| Sectoral Analysis | | 1995 Base | | 1995 Estimate | | Increase | |
|-------------------|----------|-----------|--------|---------------|--------|-----------|--------|
| | | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| | Pos./IBA | 348 | 39,201 | 348 | 43,349 | 0 | 4,148 |
| | FTE/Obl. | 338 | 39,201 | 338 | 43,349 | 0 | 4,148 |

Environmental Technologies Trade Expansion (+0 FTE, +4,148,000)--This request will enable the International Trade Administration to implement a strategic international marketing program to increase U.S. exports of environmental technology, products and services. The export program will be coordinated with, and enhance, the technology development and commercialization programs of the Technology Administration and the National Oceanic and Atmospheric Administration, thereby assuring that the Department of Commerce (DOC) has a leading role in promoting the economic health of the United States and expansion of the U. S. environmental sector. This initiative fully supports the Department's mission to promote stewardship of the global environment.

The President has requested that the Department of Commerce lead an interagency effort, including the Department of Energy and the Environmental Protection Agency, to provide U.S. companies with the support for trade development, promotional efforts, and technological assistance necessary to turn environmental advances into jobs in America, as well as to help promote a better environment. The need is clear. While the United States excels in the R&D phase of environmental technology, it must ensure that pace is kept with its competitors, particularly Japan and Germany, by fostering and promoting exports of environmental products to key markets.

A recent study by the Organization for Economic Cooperation and Development estimated that the global market for environmental technologies will exceed \$300 billion by the year 2000 and overtake the aerospace industry in size, employment and industry shipments. The United States needs to capitalize on the opportunities presented by this huge market, which has the potential to generate large numbers of new, highly skilled jobs in the United States and maintain employment in industries undergoing defense conversion.

Among the key elements of this initiative are its critical geographic targets. Eastern European countries are seeking U.S. pollution control technologies and products, as are the Newly Independent States of the Former Soviet Union (NIS). The NAFTA supplemental agreement on the environment and the likely creation of the North American Commission on the Environment will focus increasing attention on the interrelationship between trade and the environment and the opportunities for promoting the sale of U.S. environmental products and services in Mexico and other Latin American countries. Significant environmental opportunities are emerging and need to be addressed in the Asia-Pacific region, especially in China, a country which has not been targeted by the U.S.-Asia Environmental Partnership.

This initiative assumes a coordinated effort among the relevant DOC agencies to maximize resource efficiency and capitalize on technical expertise. It will enable ITA to undertake a broad array of activities, as follows:

- Organize and sponsor, in partnership with major U.S. environmental trade associations, such as the Water Environment Federation, HazMat International, and the Environmental Business Council (EBC), a series of conferences focusing on practical solutions to environmental problems. Proposed events include a "China Economic Area" (China, Taiwan, Hong Kong) Technical Seminar and Trade Mission, featuring cost-effective U.S. environmental technology, pollution control and monitoring equipment; and an international environmental seminar, to be held in conjunction with a foreign buyer trade show;
- Initiate a Latin American Environmental Initiative, which will (a) identify and publicize business opportunities related to infrastructure development along the U.S./Mexico border, based on information generated from the Border Infrastructure Finance Summit and funding provided in NAFTA's implementing legislation; (b) increase U.S. government advocacy and promotion of U.S. environmental technologies, products and services; (c) underwrite a regional Latin-American Environmental Conference and Trade Show; and (d) support the development of environmentally sound policies, regulatory regimes and enforcement mechanisms in Latin America;
- Work with the National Association of State Development Agencies (NASDA) to create awareness of international business opportunities in the environmental sector for firms facing employee layoffs due to structural downsizing or defense conversion;
- In coordination with NIST, participate in the setting of voluntary environmental standards in accordance with the Office of Management and Budget's Circular A-119; these standards may become the basis for future international regulations. In addition, work to insure that the European Community's plan to develop EC-wide environmental standards does not pose a trade barrier to U.S. environmental technologies;
- Develop and implement programs to initiate or enhance public/private partnerships in the environmental field and to encourage and support the creativity of U.S. firms in marketing their environmental goods, services and technologies to high-potential world markets;
- Coordinate an interagency effort with the EPA, DOE, and Commerce's NIST and NOAA to develop a central environmental databank to support commercialization and international marketing of environmental technologies, analysis of trade policy issues, and strategic planning. The databank will provide information on all available USG programs to assist exporters and potential exporters on environmental technologies, identify environmental technologies' export opportunities, and provide an on-line calendar of upcoming environmental trade events;
- Increase U.S. firms' access to leading markets through a comprehensive program of overseas information gathering (e.g., monitoring of foreign technological trends and environmental regulations), market research and foreign government advocacy;
- Strengthen environmental technology expertise of U.S. export promotion personnel overseas through (a) training of U.S. and Foreign Commercial Service (US&FCS) Officers and Foreign Service Nationals; (b) augmenting US&FCS staff in key markets by hiring contract staff to specialize in the environmental technology sector; (c) augmenting US&FCS staff in key markets at critical times (e.g., such as when a government is developing environmental regulations) by using temporary duty assignments of appropriate environmental experts from specialized USG agencies (EPA, NOAA/DOC, DOE, etc.), industry organizations or possibly the private sector. All overseas contract and temporary duty staff will be a part of the in-country US&FCS staff, reporting to the Senior Commercial Officer;

- Provide leading-edge U.S. environmental technology firms with focused, high-quality export counseling and assistance designed to increase the number of U.S. firms and the value of U.S. goods and services exported to strategically targeted markets. This will be accomplished through the hiring of additional domestic field trade specialists, using currently unfunded positions;
- Conduct specially targeted marketing activities (e.g. trade missions, reverse trade missions, video/catalog shows) to support the export activity of new-to-export environmental-sector firms;
- Build awareness of environmental issues and problems in Eastern Europe and the NIS, by setting up conferences in the United States that will bring together foreign government officials and U.S. company representatives; and by arranging visits by U.S. teams of experts to meet with host governments for first-hand knowledge of developments in the environmental field. The results of these activities will contribute to the development of legal, regulatory, and enforcement frameworks in the host countries, and to the solution of common problems; and
- Support a targeted program of activities by American companies to supply environmental technologies, goods and services for infrastructure projects in Eastern Europe and the NIS. This will include tracking of specific projects, coordinating the application of U.S. Government technical and financial resources, and developing and disseminating information on commercial opportunities to the American business community.

The benefits of this comprehensive environmental initiative will be significant:

- Implementation of a strategic approach to the commercialization and international marketing of environmental technologies, products and services developed by U.S. firms;
- Substantial increase in U.S. environmental-sector exports to targeted markets in Latin America, China, the NIS and Eastern Europe;
- Greater participation by American firms in environmental infrastructure projects in targeted markets; and
- Heightened awareness on the part of the governments of Latin America, China, the NIS and Eastern Europe of the practical environmental solutions American industry and Government have attained through joint efforts to resolve problems of air and water pollution and the disposal of hazardous and municipal solid wastes.

This initiative supports Title II of the Export Enhancement Act of 1992, the National Environmental Technologies Trade Initiative, and the Office of Environmental Policy's directive to the Secretary mandating that the DOC take the lead in coordinating Federal efforts to increase U.S. environmental technology exports.

Performance Measures:

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|--|--------|--------|--------|--------|--------|
| International conferences sponsored and organized | 3 | 3 | 3 | 3 | 3 |
| Industry/state government outreach seminars conducted | 6 | 12 | 12 | 12 | 12 |
| Environmental regional assessments published | 3 | 3 | 3 | 3 | 3 |
| Environmental "alert" reports issued | 53 | 60 | 69 | 76 | 81 |
| Consultations/meetings with government officials of targeted countries | 18 | 24 | 30 | 30 | 30 |
| Business facilitation sessions held | 10,000 | 13,000 | 14,000 | 15,000 | 17,000 |
| Export enhancement programs underwritten for U.S. firms | 2 | 2 | 2 | 2 | 2 |

Cost and Benefits:

| | | | | | |
|--------------------|-------|-------|-------|-------|-------|
| Direct obligations | | | | | |
| Capitalized | 315 | 50 | 50 | 50 | 50 |
| Uncapitalized | 3,833 | 3,889 | 3,889 | 3,889 | 3,889 |
| Total | 4,148 | 3,939 | 3,939 | 3,939 | 3,939 |
| Budget Authority | 4,148 | 3,939 | 3,939 | 3,939 | 3,939 |
| Outlays | 2,925 | 3,595 | 3,961 | 3,939 | 3,939 |
| FTE | 0 | 0 | 0 | 0 | 0 |
| . | | | | | |

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Trade Development
Subactivity: Sectoral Analysis
Program Change: Environmental Technologies Trade Expansion

| <u>Title:</u> | Grade | Number | Annual
Salary | Total
Salaries |
|----------------------------------|-------|--------|------------------|-------------------|
| International trade specialist | GS-13 | 1 | \$49,789 | \$49,789 |
| International trade specialist | GS-12 | 1 | 41,870 | 41,870 |
| International trade specialist | GS-11 | 2 | 34,934 | 69,868 |
| International trade specialist | GS-9 | 2 | 28,873 | 57,746 |
| Total | | 6 | | 219,273 |
| Less Lapse (25.00 %) | | (2) | | (54,818) |
| Total full-time permanent: | | 4 | | 164,455 |
| 1995 Pay Adjustment (1.6 %) | | 0 | | 3,289 |
| Total | | 4* | | 167,744 |
| Funded from base | | 4 | | 0 |
| Total | | 0 | | 167,744 |
| Personnel Data | | | | |
| Full-time Equivalent Employment: | | | | |
| Full-time permanent | | 4 | | |
| Other than full-time permanent | | 0 | | |
| Total | | 4 | | |

| <u>Title:</u> | <u>Grade</u> | <u>Number</u> | <u>Annual
Salary</u> | <u>Total
Salaries</u> |
|--------------------------------|--------------|---------------|--------------------------|---------------------------|
| Authorized Positions: | | | | |
| Full-time permanent | | 6 | | |
| Other than full-time permanent | | 0 | | |
| Total | | <u>6</u> | | |

* No additional FTE or positions are being requested. These positions are already included in the FY 1995 authorized level.

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollar amounts in thousands)

Activity: **Trade Development**
Subactivity: **Sectoral Analysis**
Program Change: **Environmental Technologies Trade Expansion**

| <u>Object class</u> | <u>FY 1995</u> | <u>Increase</u> |
|--|----------------|-----------------|
| 11 Personnel compensation | | |
| 11.1 Full-time permanent | 168 | |
| 11.3 Other than full-time permanent | 0 | |
| 11.5 Other personnel compensation | 0 | |
| 11.8 Special personnel services payments | 0 | |
| 11.9 Total personnel compensation | 168 | |
| 12.1 Civilian personnel benefits (26.96%) | 45 | |
| 13.0 Benefits for former personnel | 0 | |
| 21 Travel and transportation of persons | 361 | |
| 22 Transportation of things | 24 | |
| 23.1 Rental payments to GSA | 51 | |
| 23.2 Rental payments to others | 45 | |
| 23.3 Communications, utilities and miscellaneous charges | 57 | |
| 24 Printing and reproduction | 160 | |
| 25 Other services | 2,830 | |
| 26 Supplies and materials | 92 | |
| 31 Equipment | 315 | |
| 32 Lands and structures | 0 | |
| 33 Investments and loans | 0 | |
| 41 Grants, subsidies and contributions | 0 | |
| 42 Insurance claims and indemnities | 0 | |
| 43 Interest and dividends | 0 | |
| 44 Refunds | 0 | |
| 99 Total obligations | 4,148 | |

Department of Commerce
International Trade Administration
DECREASE FOR FY 1995
Consortia of American Businesses in the Newly Independent States (CABNIS)
(Dollar amounts in thousands)

| | | 1995 Base | | 1995 Estimate | | Increase | |
|-------------------|----------|-----------|--------|---------------|--------|-----------|---------|
| | | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| Sectoral Analysis | Pos./BA | 348 | 39,201 | 348 | 37,602 | 0 | (1,599) |
| | FTE/Obl. | 338 | 39,201 | 338 | 37,602 | 0 | (1,599) |

Consortia of American Businesses in the Newly Independent States (CABNIS)(0 FTE,-\$1,599,000)-ITA proposes to eliminate the Consortia of American Businesses in the Newly Independent States (CABNIS) program. This program began in FY 1992 with funds provided by the Agency for International Development (AID). The AID funding provided for grants to establish 9 U.S. consortia of for-profit firms interested in doing business in the Newly Independent States (NIS) and locating U.S. consortia commercial offices in the NIS. ITA requested funding for the program in FY 1994 to fund 3 additional grants. ITA feels that establishment of 12 consortia is sufficient and proposes that no additional consortia be funded.

Cost and Benefits:

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|--------------------|---------|---------|---------|---------|---------|
| Direct Obligations | | | | | |
| Capitalized | 0 | 0 | 0 | 0 | 0 |
| Uncapitalized | (1,599) | (1,599) | (1,599) | (1,599) | (1,599) |
| Total | (1,599) | (1,599) | (1,599) | (1,599) | (1,599) |
| Budget Authority | (1,599) | (1,599) | (1,599) | (1,599) | (1,599) |
| Outlays | (0) | (0) | (0) | (0) | (0) |
| FTE | 0 | 0 | 0 | 0 | 0 |

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollar amounts in thousands)

Activity: **Trade Development**
Subactivity: **Sectoral Analysis**
Program Change: **Consortia of American Businesses in the Newly Independent States (CABNIS)**

| <u>Object class</u> | | FY 1995
Decrease |
|---------------------|---|---------------------|
| 11 | Personnel compensation | 0 |
| 11.1 | Full-time permanent | 0 |
| 11.3 | Other than full-time permanent | 0 |
| 11.5 | Other personnel compensation | 0 |
| 11.8 | Special personnel services payments | 0 |
| 11.9 | Total personnel compensation | 0 |
| 12.1 | Civilian personnel benefits (26.86 %) | 0 |
| 13.0 | Benefits for former personnel | 0 |
| 21 | Travel and transportation of persons | (50) |
| 22 | Transportation of things | 0 |
| 23.1 | Rental payments to GSA | 0 |
| 23.2 | Rental payments to others | 0 |
| 23.3 | Communications, utilities and miscellaneous charges | 0 |
| 24 | Printing and reproduction | (20) |
| 25 | Other services | (24) |
| 26 | Supplies and materials | (5) |
| 31 | Equipment | 0 |
| 32 | Lands and structures | 0 |
| 33 | Investments and loans | 0 |
| 41 | Grants, subsidies and contributions | (1,500) |
| 42 | Insurance claims and indemnities | 0 |
| 43 | Interest and dividends | 0 |
| 44 | Refunds | 0 |
| 99 | Direct obligations | (1,599) |

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: International Trade
Subactivity: International Economic Policy

| | 1994 | | | | | | | | Increase/
(Decrease) | |
|-------------------------------|--------|--------|---------------------|--------|-------|--------|----------|--------|-------------------------|--------|
| | 1993 | | Currently Available | | 1995 | | 1995 | | | |
| | Actual | | | | Base | | Estimate | | | |
| | Pers. | Amount | Pers. | Amount | Pers. | Amount | Pers. | Amount | Pers. | Amount |
| International Economic Policy | | | | | | | | | | |
| Management and Policy | 29 | 2,588 | 30 | 2,718 | 30 | 2,861 | 30 | 2,852 | 0 | (9) |
| Coordination | 26 | 2,388 | 29 | 2,718 | 29 | 2,861 | 29 | 2,852 | 0 | (9) |
| Regional Economic Policy | 213 | 14,737 | 218 | 17,030 | 218 | 17,918 | 214 | 17,657 | (4) | (261) |
| | 200 | 16,805 | 214 | 17,339 | 214 | 17,918 | 210 | 17,657 | (4) | (261) |
| Direct Obligations | 242 | 17,325 | 248 | 19,748 | 248 | 20,779 | 244 | 20,509 | (4) | (270) |
| | 226 | 19,193 | 243 | 20,057 | 243 | 20,779 | 239 | 20,509 | (4) | (270) |

JUSTIFICATION OF PROGRAM AND PERFORMANCE FOR
INTERNATIONAL ECONOMIC POLICY

Goals and Objectives for FY 1995

Goals: The goals of International Economic Policy are to expand overseas markets for U.S. goods and services, increase U.S. exports and strengthen worldwide protection of intellectual property rights.

Objectives: International Economic Policy (IEP) will achieve these goals by working to expand foreign markets through the removal of barriers to travel, trade and investment, providing counseling to increase U.S. exports of goods and services, and taking prompt, aggressive action identifying intellectual property rights violations. Through its management and policy coordination and regional economic policy programs, IEP:

- o develops and implements U.S. Government international trade, commercial and investment policies from a country-specific or multilateral perspective for manufactured goods;
- o conducts and participates in multilateral and bilateral trade, investment, science and technology and similar commercial negotiations/consultations;
- o monitors/enforces foreign country implementation of agreements such as the North American Free Trade Agreement to ensure maximum benefits for U.S. firms;
- o obtains and acts on private sector advice during multilateral/bilateral negotiations;
- o conducts active outreach programs (seminars, trade missions, speaking engagements) to alert U.S. business community of new or enhanced commercial opportunities resulting from newly negotiated agreements or expanding overseas markets;
- o leads trade policy formulation on intellectual property rights through participation in multilateral/bilateral trade negotiations and coordination of the Department's role in developing a position on Special 301 (review of countries that deny adequate and effective protection for U.S. intellectual property);
- o develops positions on proposed trade legislation affecting trade with countries or regions;
- o identifies multilateral, bilateral and regional trade, commercial and investment problems and formulates solutions;
- o develops and disseminates country information throughout the U.S. Government and the private sector;
- o contributes to effective management of the foreign operations by overseeing, with the U.S. and Foreign Commercial Service management, policy and program activities of the senior foreign commercial officers; and
- o provides in-depth business counseling services to U.S. exporters on marketing opportunities.

To meet its goals, IEP develops international trade and investment policy to address trade barriers, conducts outreach programs to promote U.S. exports and monitors foreign compliance with U.S. trade laws and international agreements, seeking remedial action when foreign violations occur.

Base Program

Management and policy coordination -- This program develops and implements policies relating to international trade and investment issues. It coordinates the activities undertaken by the regional economic policy element of IEP, providing policy analysis, development, and representational capability for those issues affecting more than one region (e.g., competitiveness, science and technology agreements). In addition, it provides a central management function for IEP through the Assistant Secretary and the Deputy Assistant Secretary for International Economic Policy, develops uniform policies for supervising program activities of foreign operations, and initiates and supervises analyses and policy papers on issues of global concern.

An important ITA/IEP effort is implementing the General Agreement on Tariffs and Trade (GATT). IEP management and policy coordination staff assigned to the multilateral affairs function coordinate the development of trade and investment policy issues in a multilateral context. In addition to GATT other venues include the Organization for Economic Cooperation and Development (OECD), and the specialized agencies of the United Nations. To expand overseas markets by removing trade and investment barriers, the program develops U.S. positions for and participates in multilateral negotiations and consultations. Some of these fall under the GATT, OECD trade and investment issues such as trade-and-environment and trade-and-competition-policy as well as the National Treatment Instrument for investment. Other multinational negotiations and consultations center on UN issues such as the Code of Conduct for multinational corporations. Per Presidential Executive Order, the program monitors the implementation and enforcement of U.S. trading rights stemming from multilateral agreements under the GATT, including those agreements resulting from the Uruguay Round and preceding major global negotiations. It coordinates ITA's efforts to resolve international trade and investment disputes under these agreements through the GATT or other appropriate venues.

This program plays an important role in developing Administration positions on proposed trade legislation and implementing of current U.S. trade laws such as the Omnibus Trade Act of 1988 which includes Section 301 cases and the renewed Generalized System of Preferences program for developing countries; supports negotiation of bilateral investment treaties, and with technical assistance from the Patent and Trademark Office, provides coordination of intellectual property issues. It also supports the Technology Administration's review of bilateral science and technology agreements.

Summary of Workload and Performance Data

| <u>Primary Policy Support</u> | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--|-------------------|---------------------|---------------------|
| Briefing papers prepared | 773 | 500 | 440 |
| Speeches, testimony prepared | 73 | 52 | 55 |
| Interagency meetings attended | 100 | 600 | 900 |
| Commissions, bilateral meetings attended | 220 | 105 | 121 |

Primary Private Sector Outreach

| | FY 1993
Actual | FY 1994
Estimated | FY 1995
Estimated |
|--|-------------------|----------------------|----------------------|
| Events supported | 5 | 9 | 9 |
| Special publications prepared | 1 | 1 | 1 |
| Magazine/periodical articles written | 11 | 1 | 1 |
| Seminars organized | 1 | 1 | 0 |
| Speeches delivered | 47 | 52 | 44 |
| Business counseling sessions | 725 | 550 | 864 |

Regional economic policy -- This program develops and implements policies in support of expanding overseas markets by removing barriers to trade and investment, increasing U.S. exports of goods and services, and taking prompt, aggressive action against unfair trade practices. After evaluating U.S. business and consumer interests, policy recommendations are formulated and U.S. trade, investment and commercial policies and programs are established and implemented in the interagency system with primary implementation responsibility lodged in Commerce. Remedial action is taken to maintain the original balance of concessions to the U.S. in previous agreements, and action which is responsive to U.S. objectives and to foreign government initiatives is taken through bilateral negotiations. The regional economic policy program also provides for a continuous study of foreign countries and regional groupings to develop and maintain an in-depth knowledge of the structures, problems, workings, and directions of their economies and markets as they affect U.S. economic and commercial interests. IEP country desk officers identify short- and long-term foreign developments and measures which affect U.S. commercial relations with countries and regional economic groupings. Information and analysis are made available to U.S. exporters through regular and special publications and extensive business counseling, designed to assist small- and medium-sized and new-to-market firms in particular. Additional program responsibilities include participation in the interagency formulation of policy guidance for consultations and representations with regional groups such as the European Community (EC), the European Free Trade Area, Eastern Europe and Russia and the Newly Independent States, the Economic Community of West African States, the Preferential Trade Agreement of Eastern and Southern Africa, as well as the Special Presidential Initiative towards Latin America and Asia Pacific Economics Cooperation (APEC) countries.

As a part of this policy development and implementation process, IEP regional managers (Deputy Assistant Secretaries) supervise policy and program activities of Senior Foreign Commercial Officers. Specific supervisory responsibilities include: day-to-day contact between the country desks and the Foreign Commercial Officers on a worldwide basis; knowledge of post activities; and oversight of Senior Foreign Commercial Officers' activities related to program implementation. The country desk officer and the foreign commercial post coordinate resources to produce reports, make representations, and implement trade promotion activities. In addition, this program participates in the development and management of the Strategic Commercial Plans (SCP), supplemented by the Country Commercial Guides (CCG), for 134 foreign commercial posts located in 69 countries in conjunction with other ITA units and other Federal agencies. The regional Deputy Assistant Secretary participates in the country goal-setting process for each foreign commercial post and participates with the Assistant Secretary and Director General of the U.S. and Foreign Commercial Service in evaluating Senior Foreign Commercial Officer's performance against these goals. Through these activities, IEP plays an active role in export promotion and contributes to the effectiveness of ITA-wide efforts to remove foreign trade and investment barriers.

Country desk officers provide policy analysis and recommendations to Government officials. The policy analysis aspect of this program examines economic data (market growth rates, import/export trends, tariff, non-tariff and investment barriers) affecting U.S. sales, economic development plans, likely host government and private sector purchasing patterns, distribution channels and credit practices, and the competitive position of our leading foreign trading partners. From this information, plans are prepared to reduce barriers to U.S. market access in countries of greatest U.S. export potential. For example, in 1992 IEP issued a report on obstacles to trade in the former Soviet Union, "Obstacles to Trade and Investment in the New Republics of the Former Soviet Union: A Review of Impediments as Seen by the Business Community," which served as a framework for much of the U.S. Government's assistance to the Newly Independent States' developing private sector. Additionally, IEP has established a Business Development Committee (BDC) with Russia to focus efforts on developing a closer bilateral trade and investment relationship. Also in 1992 and 1993, IEP authorized the first comprehensive overview of South Africa's trade regime and its impact on U.S. firms. This document became the final text for resuming U.S.-South Africa trade negotiations in the post apartheid era. This program also identifies and maintains information concerning the activities of individual foreign companies and hosts, government decisions affecting the marketing opportunities of individual American suppliers. Information is assembled from a wide range of sources including diplomatic and intelligence reports, private and Government publications, official and business travelers, and ITA's foreign market research program. This information provides a data source which enables the country specialist to develop comprehensive analysis and recommendations for senior policy officials and to contribute to the preparation of the annual National Trade Estimates report mandated in the Omnibus Trade Act of 1988.

As a corollary to this effort, country desk officers perform a variety of functions designed to assist the U.S. business community to enter world markets or expand sales in existing markets. Drawing upon their expertise in foreign trade and investment policies and practices, country specialists contribute to program recommendations and participate in the development of ITA's overseas trade promotion activities, including designation of markets as appropriate for special emphasis. Also, country desk officers develop comprehensive plans for major overseas trade exhibitions, trade missions, and catalog shows. In addition, country desk officers provide economic and commercial background information on their countries to other Government agencies and Congressional committees and staff. Country desk officers publish commercial and marketing information useful to the private sector. Often the private sector provides information to the country desk officers pertinent to policy questions or to injurious foreign country trade practices. On the basis of such information, the country desk officer formulates policy initiatives and makes recommendations for appropriate governmental actions aimed at advancing U.S. policy interests or redressing grievances.

Regional economic policy units devote considerable resources (approximately 40 percent) to business outreach programs. A significant portion of their efforts is business counseling, where country desk officers provide business with specific information and assistance regarding such critical programs as the European Community 1992; Eastern Europe, Russia and the other Newly Independent States; North American Free Trade Agreement; such initiatives as the Andean Trade Initiative; Caribbean Basin Initiative; and other special Presidential initiatives vis-a-vis Latin America and such special markets as Japan, Korea, and Taiwan. As part of business counseling, IEP operates four business information centers, i.e., Business Information Services for the Newly Independent States (BISNIS) Center, Eastern Europe Business Information Center (EEBIC), Latin America/Caribbean Business Development Center (LA/CBDC) and the Japan Export Information Center (JEIC). Under an Agency for International Development (AID)-ITA Interagency Agreement, IEP opened BISNIS on June 15, 1992, in direct support of the "Freedom Support Act of 1992." AID also funds our Special American Business Internship Training (SABIT) program that provides training for managers and scientists from the Newly Independent States (NIS) with U.S. firms. By the end of CY 1995, a total of 500-600 executives will have participated in the program. It is critical to emphasize, however, that AID funding of BISNIS, SABIT, EEBIC, and partial funding of LA/CBDC, is only temporary. The Centers function as clearinghouses for information on trade and investment opportunities and provide general business counseling to assist U.S. companies in exploring business prospects in specific markets. Additionally, the Centers publish information materials—from trade program guidebooks to financing directories—which provide U.S. companies with current information on the identification and evaluation of potential trade and investment opportunities. For example, EEBIC

and BISNIS have approximately 500 publications/handouts that are disseminated to the U.S. business community on export opportunities on very short notice. LA/CBDC produced 10 special publications, including a monthly business opportunity magazine, to assist U.S. businesses of all sizes and to promote opportunities related to the dramatic opening of the Latin American market. Simply stated, the Centers serve as information clearinghouses providing businesses with services to facilitate commercial activities and boost U.S. exports.

The program also supports implementation of Multilateral Trade Negotiations (MTN) tariff and non-tariff agreements, and investigation of unfair foreign trade practices through monitoring and analyzing individual foreign government policies and practices. It develops information concerning foreign government practices affecting MTN commitments; provides data, analysis and policy recommendations for use in multilateral trade negotiations, and in comprehensive bilateral free trade and investment negotiations and subsequent implementation with key trading partners (e.g., Canada and Mexico); and provides secretariat support for bilateral commissions on trade and commercial relations for which the Department is responsible. These commissions are jointly chaired by senior U.S. and foreign government officials and provide fora for the discussion, negotiation and resolution of bilateral trade and commercial problems. High-level trade and investment missions are also organized and staffed on a periodic basis which offer exceptional exposure and opportunities to U.S. companies. The program works to eliminate access barriers through bilateral negotiating mechanisms. It prepares briefing materials and coordinates with other Government agencies and foreign governments for the Secretary's involvement in joint economic commissions and ministerial consultations. The program also assists U.S. industry in improving its export performance in overseas markets.

An important example of the program's support for aggressively opening foreign markets, implementing agreements and advancing U.S. commercial interests is the U.S.-Japan Framework, which is the President's high-priority. The goal of this initiative is to improve substantially U.S. trade with Japan by negotiating agreements in approximately 15 new structural and sectoral areas. The Framework is a resource-intensive tool that will also strengthen and expand ongoing efforts to create opportunities for U.S. industry under various agreements and initiatives, including the Major Projects Arrangement (MPA); the 1991 Semiconductor Agreement; the 1990 Supercomputer Agreement; the Computer Procurement Agreement; and the Market-Oriented, Sector-Selective (MOSS) agreements in telecommunications, transportation machinery and medical and pharmaceutical products. IEP chairs several negotiations under the Framework (medical technologies, export promotion/competitiveness, and provides extensive support for a number of other Framework negotiations. IEP also chairs U.S. negotiations on MPA and MOSS medical and pharmaceutical products.

An increasingly important trade area is the East Asia and the Pacific region. Our strategy focuses on the Asia-Pacific Economic Cooperation (APEC) organization, major initiatives toward China, U.S.-Korea Dialogue for Economic Cooperation and Binational Advisory Group, and ASEAN Alliance for Mutual Growth. Key elements of the IEP strategy include targeting commercial advocacy, with a priority on supporting U.S. companies bidding on infrastructure projects; coordinating trade policy with a focus on market access barriers; coordinating financing activities, beginning with a pilot project to address financing difficulties in ASEAN; and promoting partnerships with Asian economies by establishing or revitalizing mechanisms to support greater bilateral and regional cooperation.

Another important example of the program's support for implementation of agreements and advancement of U.S. commercial interests is the North American Free Trade Agreement (NAFTA) that went into effect on January 1, 1994. The NAFTA calls for a gradual elimination over a fifteen-year period of Canadian, Mexican and U.S. tariffs, saving consumers millions of dollars and enhancing each country's trade and investment opportunities. Under the Presidential Reorganization Plan #3 of 1979, the Department is responsible for implementation of trade agreements. IEP has a leading role in developing means to ensure Canadian and Mexican compliance under NAFTA in such diverse areas as market access, government procurement, intellectual property rights and standards. Following NAFTA, IEP will support the President's commitment to Chile to negotiate an FTA. Additional FTAs are anticipated with other Central and South American countries.

In January 1989, the FTA Binational Secretariat was created by the U.S.-Canada Free Trade Agreement to administer panel review procedures to settle disputes arising under the FTA. Under the NAFTA, the present U.S.-Canada Binational Secretariat will become the NAFTA Secretariat, adding a Mexican Section, and will have broader

responsibilities to implement the dispute settlement chapters of the Agreement. However, funds necessary to implement the NAFTA Secretariat through this pending expansion have not been appropriated. Presently, the Secretariat is administering 20 cases through the U.S. and Canadian Sections which act as "mirror-images" of each other to administer the dispute settlement process. This process provides for (1) an alternative process to the Court of International Trade in U.S. cases and provides for a new appeal process in Mexican cases involving U.S. goods; (2) review of antidumping and countervailing duty final determinations, administrative reviews, and scope determinations by U.S. Import Administration, Revenue Canada and the Mexican Ministry of Trade and Industrial Development; and (3) injury determinations in antidumping and countervailing duty cases by the U.S. International Trade Commission and the Canadian International Trade Tribunal. Over the past five years, panels have reviewed 56 contentious cases including higher politicized cases involving fresh, chilled or frozen pork and live swine from Canada, softwood lumber from Canada, beer from the U.S. and exports of durum wheat from Canada.

Summary of Workload and Performance Data

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--|-------------------|---------------------|---------------------|
| Primary Policy Support | | | |
| Briefing papers prepared | 4,001 | 4,079 | 5,227 |
| Speeches, testimony prepared | 676 | 803 | 758 |
| Interagency meetings attended | 4,285 | 4,020 | 4,413 |
| Commissions, bilateral meetings attended | 667 | 742 | 472 |
| Primary Private Sector Outreach | | | |
| Events supported | 678 | 626 | 675 |
| Special publications prepared | 249 | 263 | 283 |
| Magazine/periodical articles written | 436 | 435 | 482 |
| Seminars organized | 253 | 266 | 218 |
| Speeches delivered | 725 | 798 | 859 |
| Business counseling sessions | | | |
| Telephone calls | 287,329 | 311,010 | 340,497 |
| Visitors | 14,874 | 14,860 | 17,044 |

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: International Trade
Subactivity: Import Administration

| | 1993
Actual | 1994
Currently
Available | | | | 1995
Base | | 1995
Estimate | | Increase/
(Decrease) |
|-------------------------|----------------|--------------------------------|--------|--------------|--------|--------------|--------|------------------|--------|-------------------------|
| | | Pers. Amount | | Pers. Amount | | Pers. Amount | | Pers. Amount | | |
| | | Pers. | Amount | Pers. | Amount | Pers. | Amount | Pers. | Amount | |
| Import Administration | | | | | | | | | | |
| Import Administration | | 317 | 27,260 | 328 | 31,139 | 328 | 32,258 | 320 | 31,590 | (8) (668) |
| | | 270 | 26,578 | 319 | 34,340 | 320 | 32,258 | 312 | 31,590 | (8) (668) |
| Special Import Programs | | 20 | 1,163 | 20 | 1,202 | 20 | 1,303 | 20 | 1,300 | 0 (3) |
| | | 16 | 1,285 | 19 | 1,402 | 19 | 1,303 | 19 | 1,300 | 0 (3) |
| Direct Obligations | | 337 | 28,423 | 348 | 32,341 | 348 | 33,561 | 340 | 32,890 | (8) (671) |
| | | 286 | 27,863 | 338 | 35,742 | 339 | 33,561 | 331 | 32,890 | (8) (671) |

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: **International Trade**
Subactivity: **US & Foreign Commercial Services**

| | | 1994 | | | | | | | | Increase/
(Decrease) |
|---|----------|----------------|---------|------------------------|---------|--------------|---------|------------------|---------|-------------------------|
| | | 1993
Actual | | Currently
Available | | 1995
Base | | 1995
Estimate | | |
| | | Pers. | Amount | Pers. | Amount | Pers. | Amount | Pers. | Amount | |
| United States and Foreign
Commercial Service | | | | | | | | | | |
| Programs and Management | Pos./BA | 121 | 18,266 | 126 | 18,479 | 126 | 19,107 | 125 | 16,894 | (1) (2,213) |
| | FTE/Ohl. | 122 | 18,201 | 122 | 18,763 | 122 | 19,107 | 121 | 16,894 | (1) (2,213) |
| Domestic Operations | Pos./BA | 371 | 25,055 | 386 | 26,517 | 386 | 28,389 | 379 | 29,100 | (7) 711 |
| | FTE/Ohl. | 322 | 25,133 | 375 | 26,517 | 376 | 28,389 | 369 | 29,100 | (7) 711 |
| International Operations | Pos./BA | 899 | 70,075 | 918 | 91,602 | 918 | 97,208 | 928 | 106,786 | 10 9,578 |
| | FTE/Ohl. | 794 | 70,069 | 891 | 92,602 | 891 | 97,208 | 897 | 106,786 | 6 9,578 |
| Direct Obligations | Pos./BA | 1,391 | 113,396 | 1,430 | 136,598 | 1,430 | 144,704 | 1,432 | 152,780 | 2 8,076 |
| | FTE/Ohl. | 1,238 | 113,403 | 1,388 | 137,882 | 1,389 | 144,704 | 1,387 | 152,780 | (2) 8,076 |

Department of Commerce
International Trade Administration
Operations and Administration
JUSTIFICATION OF PROGRAM AND PERFORMANCE FOR
UNITED STATES AND FOREIGN COMMERCIAL SERVICE

Goals and Objectives for FY 1995

Goals: The goal of this subactivity is to increase the level of American business involvement in the international marketplace by encouraging and enabling U.S. companies to take full advantage of export opportunities.

Objectives: US&FCS assists in achieving this Department of Commerce subgoal by: providing accurate and timely foreign market research, trade finance information and high-quality trade facilitation services to small- and medium-sized firms with export interest, capability, and management commitment; supporting the efforts of firms that have started to export and assisting them in penetrating new overseas markets; and providing high-level advocacy support overseas for U.S. companies seeking to bid on major overseas projects. The US&FCS also has as objectives: to build a strong state/local export assistance infrastructure by encouraging, supporting, and strengthening private/state/local government partnerships; and to support the export expansion efforts of other ITA, DOC and U.S. Government agencies, including Export Import Bank of the United States (Eximbank), the U.S. Small Business Administration (SBA), the Trade and Development Agency (TDA), and the Overseas Private Insurance Corporation (OPIC), under the auspices of the Trade Promotion Coordinating Committee (TPCC).

Base Program

The programs and activities of the US&FCS are embodied in the National Export Strategy established by the TPCC and presented to Congress in September, 1993. The strategy calls for a more streamlined, coherent and responsive export strategy in which federal agencies, public/private partnerships, and state and local government participation will be coordinated to maximize opportunities for American businesses in today's global marketplace and ensure optimum use of resources.

In response to the TPCC and in the spirit of "Re-inventing Government, the US&FCS launched the U.S. Export Assistance Centers, "One-Stop-Shops," in cooperation with Eximbank, SBA, and the Agency for International Development (AID) in four pilot sites in February, 1994. The centers are designed to provide seamless delivery of export marketing and trade finance services to local business communities. US&FCS continues to focus on specific client groups and their needs, redesigning programs in order to capitalize on the resources and capabilities of the private sector and state and local governments wherever possible in order to leverage resources. It has also refined its internal resource allocation processes in order to ensure that it produces the maximum results within the limited government resources available.

US&FCS programs are based on an in-depth assessment of the needs of U.S. business clientele, US&FCS strengths/comparative advantage in service delivery (e.g., its unique domestic and overseas field service network), and the capabilities of public and private sector export promotion organizations. US&FCS clients' most important needs are for help in identifying and qualifying agents, distributors, and end users; for access to timely, product-specific market information and country-specific information about appropriate distribution channels; and for information and assistance in the critical area of export financing and payment considerations. Other important needs include market relevant trade events, and in a growing number of cases, effective overseas advocacy of U.S. firms' business interests.

The US&FCS' overall client focus is on small- and medium-sized firms: export-ready firms which have a competitive product or service, and the financial and managerial

strength and commitment to exporting; and exporters seeking to expand into new overseas markets. This strategy makes the most productive use of US&FCS resources.

Domestically, the principal vehicle for assisting these firms is information- and knowledge-intensive, one-on-one export counseling. Overseas, efforts focus on the development of "market insight" information and strengthened advocacy efforts on behalf of U.S. firms' interests. US&FCS headquarters' focus is stronger accountability for program delivery and results (e.g., "product managers"), quality control for US&FCS products and services, and improved field support.

The US&FCS continues to enhance the quality and quantity of information/market research available to U.S. firms through CIMS and the National Trade Data Bank (NTDB). In 1993 the US&FCS completed implementation of the revamped Commercial Information Management System (CIMS) which provides effective office automation support and a means of delivery for core US&FCS information and contact services. In FY 1994, US&FCS automation efforts focussed on improving the headquarters field-support capability, achieving an acceptable user-terminal ratio in the field, and expanding international E-Mail, which now links over 65 overseas posts with domestic offices. The US&FCS also enhanced the functional capabilities of the core CIMS system, creating automated templates for service orders and delivery, augmented CIMS management reporting capabilities, initiated additional performance tuning, and added flexibility to CIMS data management capability.

In order to maximize the impact of its resources, reduce duplication, and leverage resources, the US&FCS launched a variety of new initiatives, working with public and private partners, including: a pilot venture with the National Association of State Development Agencies (NASDA) which located state representatives at two overseas posts; a comprehensive, joint program with Eximbank and other public and private trade finance partners to increase the quantity and quality of trade finance information and technical assistance available at US&FCS offices; creation of an electronic data base to identify nationwide sources of public and private sector trade finance with the Bankers Association of Foreign Trade, funded by the Economic Development Administration (EDA); and an agreement with the Small Business Administration (SBA) and Federal Bar Association to provide small exporters with free legal assistance. Capitalizing on its most important private sector partner, the District Export Councils (DECs), the US&FCS held the first National DEC Chairpersons' Conference which identified key issues and priorities for increasing the contribution of the DECs to USG trade promotion efforts.

The US&FCS continued its forward-looking strategy of investing in its human capital and equipping its workforce with the skills and abilities required to provide "state-of-the-art" export assistance services in the nineties. To improve program and organizational integration, US&FCS increased opportunities for domestic trade specialists to serve in temporary overseas assignments and for Foreign Service Officers to serve in domestic assignments. It field tested and launched a special Integration Training Program for mid-level domestic and overseas staff.

Programs and Management (PAM) -- In support of ITA subgoals, PAM manages programs which develop and disseminate overseas market research, provide U.S. firms with trade contact information and provide new-to-market firms with opportunities to showcase their products and services to foreign buyers. PAM directly supports the one-on-one in-depth counseling efforts of US&FCS domestic and foreign offices through activities which include: (1) office automation and information systems support; (2) management of US&FCS products and services including client evaluation on quality and effectiveness and feedback to the overseas posts and District Offices; (3) coordination of state/local government and private sector trade event and cooperative activities; and (4) management and administrative oversight of field activities. Collectively, these efforts assure timely, responsive, high-quality service to the business community, promote continuing program improvement, and efficient field operations.

PAM office automation and information systems support includes CIMS which provides a PC-based tool to collect and manage trade contact information and also to automate the delivery of US&FCS products and services. Using state of the art office automation equipment and sophisticated network technology, CIMS links domestic and overseas offices into a cohesive trade promotion delivery system. Other critical PAM activities include: hardware procurement and installation; telecommunications and hotline support; systems applications development; and US&FCS-wide ADP training.

As part of the US&FCS commitment to continuous management improvement, PAM improved the quality, quantity, and accessibility of foreign market research for exporters. During 1993 and 1994, the volume of overseas market research expanded dramatically. In response to client feedback, the industry, topic and geographic market coverage of Industry Sub-Sector Analyses (ISAs) were expanded. Over 90% of the firms responding to the ISA quality assurance survey indicated that they were "satisfied" or better with US&FCS research. The "Best Markets" report was enhanced in 1994. Available electronically, via NTDB or at District Offices, Best Markets offers a client a comparative overview of the market potential for their industry based on a range of data, including total market size, import data, and embassy analysis of the receptivity to U.S. goods. Coverage of fast-breaking commercial developments/opportunities (International Market Insights) was expanded, along with information on trade finance requirements of various countries. Product improvements were also made in the Customized Sales Survey (CSS); and both the Foreign Traders Index (FTI) and American Traders Index (ATI) were the focus of a major quality control effort.

The Agent/Distributor Service (ADS) and World Trader Data Reports (WTDR) continue to provide U.S. firms with key information to help them identify and evaluate potential overseas agents and distributors. The improved Trade Opportunity Program emphasizes high quality, product specific leads, representing genuine intent to purchase. Dissemination of these leads has been expanded to include more states, private entities and other partnership organizations. PAM also assists firms to market products and services overseas through the Commercial News USA (CNUSA) program. Each issue of Commercial News USA reaches more than 200,000 potential foreign buyers, agents and distributors in 155 countries, and is accessed by an additional 130,000 in 16 countries through the Electronic Bulletin Board (EBB). CNUSA is a particularly effective way for small firms, who make up over 90% of participants, to gain exposure for their products in foreign markets.

Working with US&FCS and Department of State posts, other U.S. Federal Government (USG) agencies, and state/local export promotion entities, PAM develops, coordinates and supports a host of carefully focussed overseas trade promotion activities. These activities include trade, seminar, "Matchmaker," and certified trade missions organized by state or private sector organizers; USG-sponsored trade fairs and exhibitions; and U.S. Pavilions at major international trade fairs. The "Matchmaker" delegation, in particular, provides unique opportunities for new-to-export/new-to-market firms (mainly small businesses) to have direct contact with potential agents, distributors, licensees, franchisees and joint venture partners in a structured environment that facilitates "deal-making."

In addition, PAM encourages private sector sponsorship of leading overseas and domestic trade shows through two activities: the Trade Fair Certification Program and the Foreign Buyer Program. These programs extend the impact of US&FCS export assistance efforts, capitalizing on the growing capability of private sector event organizers. In the case of certified trade shows, for example, qualified private organizers provide thousands of U.S. firms at selected overseas trade fairs with support services such as overseas promotion, translation, exhibit design, business facilities, shipping, and customs assistance. For its part, the US&FCS promotes these shows through the network of US&FCS and State Department posts overseas and US&FCS District Offices throughout the United States. The Foreign Buyer Program (FBP) supports private sector trade promotion efforts at leading U.S.-based trade shows, working closely with show organizers to promote foreign buyer delegation attendance, and with U.S. companies exhibiting in the shows, providing those who express interest in exporting with value-added counseling before, during and after the show. U.S. companies' products, international marketing objectives, and regions of interest are identified and promoted with the intent of matching them with interested foreign buyers. In FY 1994, over 4,000 U.S. companies will be assisted through the FBP.

PAM is also responsible for the management and administration of US&FCS activities including executive direction, strategic planning and program analysis, training, overseas security and operational support, as well as resource allocation modeling which leads to more-efficient, rational, world-wide resource use.

Domestic Operations (DO) -- District Offices are the primary domestic Federal source of one-on-one export counseling assistance for export-ready firms or exporters seeking to enter new overseas markets. They deliver the trade facilitation programs of the International Trade Administration directly to local business communities, providing a unique link to the information and resources of US&FCS posts overseas. No other USG agency has this network capability.

District Office resources and programs are focussed through a Management Planning and Performance Appraisal System that insures that individual employee performance plans are consistent with US&FCS strategic plans. At each office, a District Marketing Plan (DMP) tailors trade specialist activities to the specific export assistance needs of local businesses. These activities may range from value-added counseling to country-focussed seminars. A key element of each DMP is a specific action plan for developing the export infrastructure of the district, drawing on the skills and capabilities of public and private sector partners.

A pre-screening system is in place to quickly assess a firm's export interest and capability. If a firm is not export-ready, it is referred to a qualified source of basic business assistance. This approach lets District Offices focus on the firms which can best take advantage of US&FCS counseling assistance. In many instances, this counseling results in development of an export assistance plan (EAP). This plan, which the company develops with US&FCS assistance, commits the company's resources and management to a carefully considered export expansion program.

US&FCS trade specialists use a wide variety of information and services from both public and private sector sources to help firms evaluate new overseas markets and take advantage of foreign sales and investment opportunities. A world-wide cable/electronic mail network, coupled with automated information data bases, including ITA's CIMS and the CD-ROM based NTDB, are among the principal tools used to support clients' export objectives. The counseling services of US&FCS include assessing individual business client strengths and weaknesses, identifying key markets, developing market entry strategies, assisting in implementing those strategies, and building market share for clients with established markets overseas.

USEAC pilot sites were established in Baltimore, Chicago, Miami and Long Beach in FY 1994. They were based on the TPCC Report recommendation that each site serve as a model to assess the economic impact of consolidation of federal export-related resources in single sites. These openings were accomplished within existing FTE allocations.

In both the USEACs and the US&FCS District Office network, trade specialists are trained to identify export marketing and trade finance problems of local clients, explain the financing options that are available and associated costs, and assist clients in developing export finance strategies that complement their export marketing plans. USEAC and District Office staffs provide value-added counseling, incorporating all Federal export marketing and trade finance assistance to match local client financing needs with local or regional export finance resources, including state, federal, private banking and non-bank sources.

Within the Office of Domestic Operations (ODO) headquarters, the Public and Private Programs (PPP) office works proactively with trade development partners, such as state trade development offices, chambers of commerce, world trade associations, and local business development groups, to increase awareness of export development resources and to build local export assistance networks through partnerships. It serves as the principal US&FCS contact with the National Association of State Development Agencies, the National Governors Association, the National League of Cities, and the Association of Small Business Development Centers. PPP maintains liaison with other units within the Department and with other agencies, such as Eximbank and SBA, to strengthen U.S. trade finance infrastructure. PPP also supports the nationwide network of District Export Councils (DECs). Collectively, the 1,500 DEC members serve as the US&FCS' primary partner by conducting export outreach efforts, offering mentoring support for exporters, serving as catalysts for trade finance network development, and sponsoring thousands of promotional initiatives, including seminars and trade events in their local communities.

Working closely with the five regional Directors, ODO headquarters staff monitor the allocation of resources, both personnel and financial, using an improved resource allocation matrix based on export potential to help guide the process. The headquarters staff develops operations policies and procedures, monitors program implementation and quality control, and is responsible for leased property and facilities management for field offices. The staff also coordinates local and national recognition of sustained, successful exporters and service organizations through the President's "E" and "E Star" Awards for Excellence in Exporting.

International Operations (IO) -- The overseas offices support Departmental subgoals to "expand overseas markets for U.S. goods and services," "increase U.S. exports in each of the next four years," and "strengthen intellectual property rights protection." The overseas offices, expected to be located in over 60 countries by the beginning of 1995, were originally established with the explicit goal of implementing Department of Commerce programs abroad to inform, advise, and support U.S. business marketing efforts. In the second quarter of FY 1994, the US&FCS awarded contracts to establish 7 American Business Centers (ABCs) in the Newly Independent States (NIS) and Russia. All of the offices were opened by the end of FY 1994 using funds transferred by U.S. AID under terms of the Export Enhancement Act. Also during FY 1994, an additional 5 ABCs were opened, co-located with US&FCS offices in Russia and the NIS.

The US&FCS continues to focus its resources on markets with the greatest U.S. export potential. Commercial officers and foreign service nationals are responsible for developing and analyzing information on foreign markets and representing U.S. business interests abroad. US&FCS posts have a key role in: (1) identifying trade opportunities abroad for U.S. products; (2) counseling U.S. business, including sources of trade finance; (3) identifying potential overseas representatives for U.S. firms; (4) developing foreign market research and analysis of trade policy issues; (5) advocating U.S. company interests in overseas major projects, procurements, and market access issues; and (6) organizing and managing U.S. trade promotion events.

US&FCS offices provide business facilitation services for U.S. firms to help them find potential overseas agents, distributors or representatives for their products, and conduct extensive market research on best prospects for U.S. goods and services. US&FCS officers and local national employees play a vital role in identifying major projects and procurement opportunities in their host countries, including those funded by multilateral development banks, in alerting U.S. firms to these opportunities, and, increasingly, aggressively advocating on behalf of U.S. firms bidding on projects with host country officials.

US&FCS officers provide extensive operational support overseas to trade finance agencies including Eximbank, OPIC, and the Trade and Development Agency (TDA), acting, in essence, as their overseas field staff. They also support the initiatives of other Commerce units including, the U.S. Travel and Tourism Administration (USTTA), the National Oceanic and Atmospheric Administration (NOAA--fishery export promotion includes full-time positions in Tokyo and Brussels), the National Institute of Standards and Technology (NIST), Import Administration, and Bureau of Export Administration (BXA). This effort includes market research, promotional activities, and counseling.

In support of the U.S. Trade Representative (USTR), US&FCS also monitors and reports on foreign developments affecting the formulation of U.S. trade policy, including foreign government legislative and regulatory measures, procurement practices, and bidding and certifying procedures which affect U.S. trade in the host country, including the protection of intellectual property rights.

US&FCS officers analyze and report on local industry and commodity developments which affect the U.S. competitive position, as well as assessments of foreign competition. Officers prepare an annual Country Marketing Plan (CMP) which includes a core of key programs available at all posts. In addition, the CMP sets forth the marketing strategies with a mix of policy initiatives, trade promotion techniques, and export development programs. The CMP establishes the post's work priorities and reflects the overall focus and objectives of the organization tailored to the needs of each country market.

Efforts overseas are directed toward helping infrequent exporters find suitable representation abroad, providing market counseling and initiating business and government contacts on their behalf. Posts identify and disseminate specific new trade opportunities in host markets, support their export market objectives with programs tailored to their needs, and encourage their participation in a variety of trade events. US&FCS officers also intercede on behalf of U.S. firms experiencing payment delays and a wide variety of other business disputes. US&FCS officers work closely with American Chambers of Commerce and other U.S. business groups overseas, as well as other agencies in U.S. missions, such as the Foreign Agricultural Service, in promoting U.S. sales abroad.

The Office of Foreign Service Personnel is responsible for building a highly motivated, well-trained corps of commercially-oriented career officers. These officers are selected

through a rigorous assessment process. Candidates are tested for their commercial, trade and management experience, as well as their intercultural and language skills. Entry and mid-level training of officers, processing of assignments, language training and training programs for FSNs are also the responsibility of this office.

The International Operations staff in Washington manages overseas field operations; directs implementation of the CMPs, including the determination of levels of financial and personnel resources required, based on the overseas resource allocation model; monitors program implementation overseas, including trade event recruitment, planning, budgeting, and logistical support; appraises the performance of senior commercial officers; organizes regional management conferences; develops techniques and strategies to further U.S. commercial objectives; and advances U.S. exporter interests in inter-agency venues. The staff operate an "early warning" system to notify U.S. business of major projects overseas funded by multilateral development banks.

Summary of Workload and Performance Data

Number of:

| | <u>FY 1992
Actual</u> | <u>FY 1993
Estimate</u> | <u>FY 1994
Estimate</u> | <u>FY 1995
Estimate</u> |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| Entries into new markets | 2,785 | 3,651 | n/a | n/a* |
| Firms first exporting | 481 | 473 | n/a | n/a* |
| Trade facilitation session, domestic and overseas: | | | | |
| Domestic facilitation sessions | | | | |
| Overseas trade facilitation sessions | 60,000 | 63,000 | 72,300 | 72,300 |
| Domestic industry-specific conferences | 128,268 | 128,500 | 155,000 | 155,000 |
| Domestic initiated overseas promotion events | n/a | n/a | n/a | n/a |
| Overseas trade promotion events held | 640 | 640 | 805 | 830 |
| Participants in DOC overseas promotion events | 355 | 310 | 280 | 280 |
| Trade leads from overseas promotion events | 5,210 | 5,210 | 5,210 | 5,370 |
| Overseas S/IOGA missions supported** | 169,440 | 170,000 | 170,000 | 170,000 |
| Other state/local government/industry missions support | 41 | 50 | 97 | 97 |
| Certified events held | 180 | 180 | 10 | 10 |
| Foreign Buyer Program (FBP) events held | 43 | 45 | 75 | 75 |
| U.S. firms assisted through FBP participation | 18 | 22 | 22 | 22 |
| Infrequent exporters assisted through CNUSA | 4,152 | 5,500 | 5,500 | 5,500 |
| Infrequent exporters assisted through RC | 1,680 | 1,700 | 2,900 | 2,900 |
| Agent distributor reports provided** | 1,100 | 1,100 | 1,200 | 1,200 |
| World trade data reports provided | 4,174 | 4,000 | 3,750 | 3,750 |
| Market insight reports | 2,471 | 2,500 | 2,230 | 2,230 |
| CIMS NTDB retrievals: | 1,100 | 1,100 | 1,385 | 1,385 |

| | | | | |
|--|---------|---------|---------|---------|
| Client database updates | 22,000 | 22,000 | 44,000 | 44,000 |
| NTDB accesses | 44,000 | 44,000 | 44,000 | 44,000 |
| E-mail messages | 110,000 | 110,000 | 110,000 | 110,000 |
| Industry-subsector analyses | 964 | 1,000 | 1,290 | 1,290 |
| NTE/NTM actions (domestic)* | 0 | 0 | 3,700 | 3,700 |
| NTE/NTM actions (overseas)** | 0 | 0 | 400 | 456 |

* Sum of entries into new markets and firms first exporting as reported by domestic offices; replaces measures shown above effective FY 1994.

** Count of overseas NTE/NTM actions begun in FY 1994 for the first time.

Department of Commerce
International Trade Administration
Operations and Administration
Enhanced Global Network
(Dollar amounts in thousands)

| | | 1995 Base | | 1995 Estimate | | Increase | |
|-----|-----------------------|-----------|--------|---------------|---------|----------|--------|
| | | Pers. | Amount | Pers. | Amount | Pers. | Amount |
| OIO | Pers./BA
FTE/Obls. | 891 | 97,208 | 903 | 107,464 | 12 | 10,256 |
| ODO | Pers./BA
FTE/Obls. | 376 | 28,389 | 376 | 29,426 | -0- | 1,037 |
| | Total | | 1,267 | 125,597 | 1,279 | 136,890 | 12 |
| | | | | | | | 11,293 |

Enhanced Global Network (+12 FTE, \$11,293,000) - This increase request is an integral part of the Department's Export Growth Initiative and directly supports the Department's mission to enhance long-term economic opportunities and raise the standard of living for all Americans. It consists of two components. The first component, Overseas Network Expansion *strategically* expands the U.S. and Foreign Commercial Service (US&FCS) overseas network in response to recommendations developed by the Trade Promotion Coordinating Committee (TPCC) for improving delivery of export promotion assistance. It forms the foundation upon which the second component is built. This component, **Targeted Initiatives**, consists of integrated (i.e., domestic and overseas) programs designed to expand opportunities for U.S. exporters in critical growth markets; increase U.S. business' awareness of sources of, and access to, trade finance; and increase exports of U.S. firms experiencing difficulties in making the transition from defense production to commercial marketing.

Collectively, the two components provide the "critical mass" required by Commerce to implement its TPCC mandate. These resources support the Administration's commitment to sustainable economic growth as well as a variety of cross-cutting, Federal technology and trade initiatives designed to promote the global competitiveness of U.S. business.

Component 1: Overseas Network Expansion (+7 FTE, \$7,858,000)

The US&FCS is a *critical* component of the USG strategic delivery system for increasing U.S. exports. The export promotion role of the U.S. overseas network is to *identify* major projects and market opportunities, *conduct* market research, *provide* export counseling, *assist* in making government and private sector contacts, and *provide high-level advocacy*. However, the TPCC has determined that the existing overseas network cannot adequately respond to the needs of U.S. firms, capitalize on growth markets, and aggressively answer the efforts of competitor nations.

To achieve greater efficiency and to increase U.S. exports--fundamental TPCC goals--overseas missions must work together in a more strategic "team approach" which recognizes each agency's unique capabilities. Coordinating trade promotion activities and reducing duplication and overlap will enable the USG overseas export promotion network to channel higher quality trade information more effectively to domestic field offices and U.S. Export Assistance Centers (USEAC's) as recommended by the TPCC.

The TPCC recommended that two USG agencies, Commerce and Agriculture, have lead responsibility for USG export promotion overseas. This increase will allow the US&FCS to aggressively fulfill Commerce's responsibility. It consists of two components which provide the foundation for critical TPCC initiatives in such core areas as information, counseling, marketing, and advocacy, and will improve the quality of, and access to, export promotion assistance available to U.S. business. The first component targets additional American Officers (FSO) and contract staff to markets where the demand for export assistance is greatest. The second component ensures the highest level of support for American exporters by funding a comprehensive training program for USG export promotion personnel.

The US&FCS will add in-country staff resources within existing FTE allocations and/or contract hires to markets with the greatest potential for U.S. exporters, applying its Overseas Resource Allocation Matrix. The addition of overseas US&FCS staff addresses the critical need for the USG to respond to growth markets and specifically to the competitive challenge presented by foreign competitor nations. Often, US&FCS resources are well below those of competitor nations. For example, in Thailand, Japan has 12 commercial-equivalent officers compared to just 2 for the US&FCS. In the case of the U.K., the Japanese have 23 officers, versus 4 for the US&FCS. To make the most efficient use of government resources, the US&FCS will apply a "regional" approach to servicing U.S. exporter needs in certain rapidly growing markets that do not yet warrant a full commercial presence. US&FCS officers at sites with regional responsibilities will work with Department of State FSOs/FSNs to implement their Strategic Commercial Plans. In other instances, where market conditions merit a US&FCS presence, they will work with "stand-alone" commercial sections staffed by US&FCS FSNs.

This increased staffing supports TPCC efforts to improve the flow of information collected by all agencies in the mission through US&FCS (e.g., trade leads, market research, etc.) into the recognized USG electronic trade information database--the National Trade Data Bank. At present, agency information collection and dissemination of market research and country specific data from all elements of the mission are fragmented and, in some cases, duplicative. Additional US&FCS staff will coordinate this process and ensure that this information is truly responsive to the needs of U.S. exporters.

This increase also strengthens the US&FCS overseas network's ability to support key TPCC agencies, including Eximbank, the Trade Development Agency, and the Overseas Private Investment Corporation. *The US&FCS serves as the overseas delivery arm for these agencies.* The additional staff are particularly essential to the Administration's efforts to increase U.S. business awareness of and access to affordable sources of trade finance.

The TPCC strategic plan identified the lack of a comprehensive and coordinated training program for officers and foreign service nationals as a weakness that reduces the impact of the entire USG overseas network. At present, most USG agencies' training programs do not adequately equip officers and FSNs with the full range of knowledge needed to assist U.S. exporters. This increase also provides resources to: 1) implement an expanded number of stateide and overseas business counseling and export assistance training programs; 2) increase market research training, including interagency regional overseas training; 3) augment executive level training; and 4) create or expand business counseling, export assistance, and industry specialization training for FSNs.

Component 2: Targeted Initiatives (+5 FTE, \$3,435,000)A. Critical Growth Markets (+5 FTE, +1,956,000)

This initiative specifically focuses on *increasing U.S. exports in key high technology sectors critical to U.S. industrial leadership and critical growth markets*, particularly in Latin American and the Pacific Rim, which provide the greatest opportunities for export expansion. This initiative also supports the growing need for more aggressive government-to-government *advocacy* efforts by the USG on behalf of U.S. firms bidding on major overseas projects and procurements.

Long term U.S. competitiveness is directly linked to the ability of U.S. companies to capture a significant share of such key growth markets as China, Mexico and the ASEAN nations. These areas are experiencing the world's highest economic growth rates, presenting exceptional business opportunities for U.S. products. This is especially true of markets where the U.S. Government has been successful in reducing barriers to exports. This initiative is designed to expand US&FCS' capacity to help U.S. firms take advantage of these opportunities in highly competitive and complex business environments.

This is a strategic investment of domestic and overseas resources in terms of both timing and resource deployment. It permits the US&FCS to meet expanding demands for assistance at a critical stage and facilitates a greater concentration on high technology sectors with the greatest long-term payback for the U.S. economy.

Using its domestic industry and overseas resource allocation matrices, the US&FCS will selectively augment its domestic and overseas staff. Domestically, nine staff members (currently unfunded FTE) would be added to district offices in a limited number of states which have the highest concentrations of companies with products and technologies that have the greatest potential in critical overseas growth markets.

Often, export competitiveness is a function of two factors: effective marketing strategy and efficient production process. This effort addresses both. First, firms will receive high quality value added export marketing counseling. Then, working with National Institute of Standards and Technologies, U.S. & Foreign Commercial Services staff will ensure that companies are aware of and take advantage of standards certification to increase their products' export competitiveness in growth markets. For example, trade specialists will facilitate technical assistance on-site by representatives of NIST funded manufacturing technology centers. This assistance will help increase the competitiveness of these clients' high technology products overseas.

Overseas, 5 new commercial officers and 5 contract staff would be deployed in a limited number of key growth markets, with emphasis on those where United States Government trade policy efforts have successfully opened a market for U.S. products and services, and countries where competitors devote extensive resources to advocacy on behalf of the commercial interests of their firms (e.g. China, Taiwan). Their efforts will tie in with Departmental cross-cutting initiatives, such as the proposed expansion of the NIST Standards Assistance Program. This program has already demonstrated significant success in its pilot stage in Saudi Arabia and is proposed for expansion. Working with US&FCS, NIST standards experts will be posted to US&FCS offices in key markets to provide technical input to influence the adoption of U.S. technology into the standards and conformity assessment procedures that these countries adopt, and other technical activities that have a direct bearing on the competitiveness of U.S. products in these markets.

Advocacy, in particular, plays a major role in expanding U.S. firms' access to critical growth markets. Approximately \$20 billion is spent annually on major projects by multilateral development banks alone. Other international procurements by foreign governments that are open to international procurement represent billions more in potential U.S. exports. From a competitive standpoint, expanded advocacy is essential, especially in light of more aggressive efforts by competitor nations in this area.

Overseas program emphasis will include: cooperative efforts with NIST's Standards Assistance Program to identify standards issues of special concern to U.S. business and to assist firms to capitalize on NIST success in influencing standards, intensive market analysis to identify market opportunities, and its carefully coordinated market promotion and advocacy efforts with other Commerce and government agencies under the auspices of the TPCC.

B. Defense Conversion (-0- FTE, \$1,479,000)

The major thrust of this initiative is to *increase exports of U.S. firms making the difficult transition from defense production to commercial marketing*. By supporting the efforts of former defense industry suppliers as they convert to commercially viable products, US&FCS will save existing high technology jobs, support job growth, and reduce the adverse economic impact on local economies hardest hit by defense industry downsizing.

All of the basic requirements to export successfully are present in these firms: high technology, skilled workforce, motivated management, and, in many cases, some international experience. These firms represent one of the highest potential returns on investment for US&FCS resources because, with a relatively modest investment by government, these firms should be ideally situated to export on a continuing basis. Overseas market potential for these firms should be excellent given their high technology component and quality.

This initiative will complement the defense-conversion efforts of the Economic Development Administration (EDA) and the Bureau of Export Administration (BXA) by providing the direct link to overseas export opportunities that US&FCS is uniquely positioned to develop through its world-wide network.

Using its domestic industry matrix, and working closely with EDA, the National Institute of Standards and Technology (NIST) and BXA, US&FCS will use unfunded FTE to place additional domestic staff in up to six states, such as California and Texas. These states have high concentrations of firms in industries undertaking conversion to commercial production and include, but are not limited to aerospace, avionics/ground support, electronics, and advanced materials. US&FCS will also use unfunded FTE or contract personnel to selectively augment overseas staff in three countries which have been identified as the most promising markets for these firms, using its overseas matrix and market analyses, and consultations with industry.

Working with Trade Development, US&FCS will first identify defense companies and assess their needs. (Note: Efforts will be directed to support former defense industry sub-contractors as well as major contractors.) Companies with export potential will be provided counseling and licensing assistance by local US&FCS and BXA offices. Firms needing technology assistance will be referred to NIST for specialized information and support. US&FCS will also work to ensure that companies that do not have export potential, have access to the resources of EDA and Department of Labor (manpower retraining program).

For firms that have export potential, the trade specialists will work directly with overseas posts in a carefully integrated effort. First, US&FCS will identify commercial export opportunities for products which incorporate the high tech aspects of defense industry applications, then it will work with the firms to develop an export marketing plan/strategy to pursue these opportunities. Assistance will include: value-added export marketing counseling, market research, opportunities for market exposure, and trade lead development. A key element will include access to information on trade financing available through the USEAC's, the Trade Development Agency (TDA), Eximbank and SBA.

Benefits:

This increase will pay significant short-run and long-term dividends for the U.S. economy—in the form of an increase in the quantity of U.S. exports and the number of U.S. firms exporting for the first time or entering new markets. It will promote the growth of high value-added jobs in the U.S. economy and the competitiveness of industry sectors identified by the TPCC as critical to U.S. global competitiveness. It will address the pressing need to reduce the economic dislocation in local communities most adversely affected by defense industry downsizing.

Performance Measures:

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|------------------------------|--------|--------|--------|--------|--------|
| Overseas Trade Facilitations | 17,903 | 35,806 | 35,806 | 35,806 | 35,806 |
| Market Insight Reports | 710 | 1,420 | 1,420 | 1,420 | 1,420 |
| Industry Subsector Analyses | 710 | 1,420 | 1,420 | 1,420 | 1,420 |
| Domestic Trade Facilitations | 7,908 | 9,885 | 9,885 | 9,885 | 9,885 |
| World Trader Data Reports | 241 | 301 | 301 | 301 | 301 |
| NTE/NTM Actions (Domestic) | 407 | 509 | 509 | 509 | 509 |
| NTE/NTM Actions (Overseas) | 456 | 912 | 912 | 912 | 912 |

Cost and Benefits:

| | | | | | |
|--------------------|--------|--------|--------|--------|--------|
| Direct Obligations | | | | | |
| Capitalized | 1,667 | 180 | 180 | 180 | 180 |
| Uncapitalized | 9,626 | 10,208 | 10,208 | 10,208 | 10,208 |
| Total | 11,293 | 10,388 | 10,388 | 10,388 | 10,388 |
| Budget Authority | 11,293 | 10,388 | 10,388 | 10,388 | 10,388 |
| Outlays | 7,961 | 9,550 | 10,479 | 10,390 | 10,390 |
| FTE | 12 | 15 | 15 | 15 | 15 |

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM CHANGE PERSONNEL DETAIL

Activity: U.S. and Foreign Commercial Service
Subactivity: International Operations
Program Change: Enhanced Global Network

| Title: | Grade | Number | Annual
Salary | Total
Salaries |
|--------------------------------------|----------|-----------|------------------|-------------------|
| Foreign commercial service officer | FS-1 | 1 | 66,609 | 66,609 |
| Foreign commercial service officer | FS-2 | 10 | 53,973 | 539,730 |
| Foreign commercial service officer | FS-3 | 5 | 43,734 | 218,670 |
| Foreign commercial service officer | FS-4 | 1 | 35,438 | 35,438 |
| Foreign commercial service secretary | FS-6 | 1 | 25,370 | 25,370 |
| Total full-time permanent | | 18 | | 885,817 |
| Less lapse (25.00 %) | | 5 | | 221,454 |
| Subtotal | | 13 | | 664,363 |
| 1995 Pay Adjustment (1.60 %) | | | | 10,630 |
| Total U.S. employees overseas | | 13 | | 674,993 |
| Trade specialist | GS-12 | 1 | 40,298 | 40,298 |
| 1995 Pay Adjustment (1.60 %) | | | | 645 |
| Total U.S. employees domestic | | 1 | | 40,943 |
| Total U.S. employees | | 14 | | 715,936 |
| Foreign service national | Ungraded | 17 | 40,000 | 680,000 |

Title:

Less Lapse (25.00%)

Subtotal

Total, Foreign service nationals

Grand total, U.S. employees and foreign service nationals

| | <u>Grade</u> | <u>Number</u> | <u>Annual
Salary</u> | <u>Total
Salaries</u> |
|--|--------------|---------------|--------------------------|---------------------------|
| | | 4 | | 170,000 |
| | | 13 | | 510,000 |
| | | 13 | | 510,000 |
| | | 27 | | 1,225,936 |

Personnel Data

Full-time Equivalent Employment:

Full-time permanent

Other than full-time permanent

Total

27*

0

27*

Authorized Positions:

Full-time permanent

Other than full-time permanent

Total

36*

0

36*

*Only 16 new positions and 12 new FTE are being requested. The remainder the positions are already included in the FY 1995 authorized level.

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM CHANGE PERSONNEL DETAIL

Activity: U.S. and Foreign Commercial Service
Subactivity: Domestic Operations
Program Change: Enhanced Global Network

| Title: | Grade | Number | Annual Salary | Total Salaries |
|----------------------------------|-------|-----------|---------------|----------------|
| Trade Specialist | GS-13 | 4 | 47,920 | 191,680 |
| Trade Specialist | GS-12 | 5 | 40,298 | 201,490 |
| Trade Specialist | GS-11 | 7 | 33,623 | 235,361 |
| Trade Specialist | GS-9 | 4 | 27,789 | 111,156 |
| Total | | 20 | | 739,687 |
| Less Lapse (25.00 %) | | 5 | | 184,922 |
| Total full-time permanent | | 15 | | 554,765 |
| 1995 Pay Adjustment (1.60 %) | | | | 8,876 |
| Total | | 15 | | 563,641 |

Personnel Data

Full-time Equivalent Employment:

| | |
|--------------------------------|------------|
| Full-time permanent | 15* |
| Other than full-time permanent | 0 |
| Total | 15* |

Authorized Positions:

| | |
|--------------------------------|------------|
| Full-time permanent | 20* |
| Other than full-time permanent | 0 |
| Total | 20* |

*No new positions and FTE are being requested. These positions are already included in the FY 1995 authorized level.

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollar amounts in thousands)

Activity: International Trade Administration
Subactivity: International Operations
Program Changes: Enhanced Global Network

| Object Class | FY 1995
Increase |
|--|---------------------|
| 11 Personnel compensation | 1,226 |
| 11.1 Full-time permanent | 0 |
| 11.3 Other than full-time permanent | 3 |
| 11.5 Other personnel compensation | 0 |
| 11.8 Special personnel services payments | |
| 11.9 Total personnel compensation | 1,229 |
| 12.1 Civilian personnel benefits | 369 |
| 13 Benefits for former personnel | 0 |
| 21 Travel and transportation of persons | 1,188 |
| 22 Transportation of things | 577 |
| 22.1 Rental payments to GSA | 7 |
| 23.2 Rental payments to others | 819 |
| 23.3 Communications, utilities and miscellaneous charges | 67 |
| 24 Printing and reproduction | 15 |
| 25 Other services | 4,343 |
| 26 Supplies and materials | 27 |
| 31 Equipment | 1,615 |
| 32 Lands and structures | 0 |
| 33 Investments and loans | 0 |
| 41 Grants subsidies and contributions | 0 |
| 42 Insurance claims and indemnities | 0 |
| 43 Interest and dividends | 0 |
| 44 Refunds | 0 |
| 99 Direct obligations | 10,256 |
| | ITA-87 |

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollar amounts in thousands)

Activity: International Trade Administration
Subactivity: Domestic Operations
Program Change: Enhanced Global Network

| | | FY 1995 |
|---------------------|---|-----------------|
| <u>Object class</u> | | <u>Increase</u> |
| 11 | Personnel compensation | |
| 11.1 | Full-time permanent | 564 |
| 11.3 | Other than full-time permanent | 0 |
| 11.5 | Other personnel compensation | 6 |
| 11.8 | Special personnel services payments | 0 |
| 11.9 | Total personnel compensation | 570 |
| 12.1 | Civilian personnel benefits (26.96 %) | 154 |
| 13.0 | Benefits for former personnel | 0 |
| 21 | Travel and transportation of persons | 147 |
| 22 | Transportation of things | 6 |
| 23.1 | Rental payments to GSA | 51 |
| 23.2 | Rental payments to others | 0 |
| 23.3 | Communications, utilities and miscellaneous charges | 2 |
| 24 | Printing and reproduction | 3 |
| 25 | Other services | 47 |
| 26 | Supplies and materials | 5 |
| 31 | Equipment | 52 |
| 32 | Lands and structures | 0 |
| 33 | Investments and loans | 0 |
| 41 | Grants, subsidies and contributions | 0 |
| 42 | Insurance claims and indemnities | 0 |
| 43 | Interest and dividends | 0 |
| 44 | Refunds | 0 |
| 99 | Total obligations | 1,037 |

Department of Commerce
International Trade Administration
Operations and Administrations
ADMINISTRATIVE SAVINGS FOR 1995
(Dollar amounts in thousands)

| | | 1995 Base | | 1995 Estimate | | Increase | |
|---|----------|-----------|---------|---------------|---------|----------|--------|
| | | Pers. | Amount | Pers. | Amount | Pers. | Amount |
| Operations and Administration | Pers./BA | 2,516 | 252,514 | 2,516 | 251,725 | 0 | (-789) |
| | FTE/Obl. | 2,446 | 252,514 | 2,446 | 251,725 | 0 | (-789) |

The dollar reduction resulting from E.O. 12837 was applied by subactivity as follows:
Trade development (-\$109); International economic policy (-\$77);
Import administration (-\$90); U.S. and foreign commercial service (-\$513).

Cost and Benefits:

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|--------------------|-------|---------|---------|---------|---------|
| Direct obligations | | | | | |
| Uncapitalized | (789) | (1,598) | (2,980) | (2,980) | (2,980) |
| Budget Authority | (789) | (1,598) | (2,980) | (2,980) | (2,980) |
| Outlays | 0 | 0 | 0 | 0 | 0 |
| FTE | | | | | |

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollar amounts in thousands)

Activity: International Trade Administration
Subactivity: Administrative Savings for 1995

| Object class | FY 1995
Decrease |
|--|---------------------|
| 11 Personnel compensation | |
| 11.1 Full-time permanent | 0 |
| 11.3 Other than full-time permanent | 0 |
| 11.5 Other personnel compensation | 0 |
| 11.8 Special personnel services payments | 0 |
| 11.9 Total personnel compensation | 0 |
| 12.1 Civilian personnel benefits (26.96 %) | |
| 13.0 Benefits for former personnel | |
| 21 Travel and transportation of persons | |
| 22 Transportation of things | 0 |
| 23.1 Rental payments to GSA | 0 |
| 23.2 Rental payments to others | (34) |
| 23.3 Communications, utilities and miscellaneous charges | (12) |
| 24 Printing and reproduction | 0 |
| 25 Other services | (68) |
| 26 Supplies and materials | (101) |
| 31 Equipment | (24) |
| 32 Lands and structures | (511) |
| 33 Investments and loans | (39) |
| 41 Grants, subsidies and contributions | 0 |
| 42 Insurance claims and indemnities | 0 |
| 43 Interest and dividends | 0 |
| 44 Refunds | 0 |
| 99 Total obligations | 0 |
| | (789) |

Department of Commerce
International Trade Administration
Operations and Administrations
FTE SAVINGS FOR 1995
(Dollar amounts in thousands)

| | 1995 Base | | 1995 Estimate | | Increase | |
|---|-----------|---------|---------------|---------|----------|----------|
| | Pers. | Amount | Pers. | Amount | Pers. | Amount |
| Operations and Administration | 2,516 | 252,514 | 2,480 | 250,485 | (-36) | (-2,029) |
| | 2,446 | 252,514 | 2,410 | 250,485 | (-36) | (-2,029) |

Pos./Ba
FTE/Obt.

The FTE dollar reductions resulting from E.O. 12839 was applied by subactivity as follows:

Trade development (10 FTE, -\$532); International economic policy (4 FTE -\$193);
 Import administration (8 FTE -\$581); U.S. and foreign commercial service (14 FTE -\$723).

Cost and Benefits:

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|--------------------|---------|---------|---------|---------|---------|
| Direct obligations | | | | | |
| Uncapitalized | (2,029) | (2,029) | (2,029) | (2,029) | (2,029) |
| Budget Authority | (2,029) | (2,029) | (2,029) | (2,029) | (2,029) |
| Outlays | (2,029) | (2,029) | (2,029) | (2,029) | (2,029) |
| FTE | (36) | (36) | (36) | (36) | (36) |

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM CHANGE PERSONNEL DETAIL

Activity: International Trade Administration
Subactivity: Operations and Administration
Program Change: FTE Savings for 1995

| Title: | Grade | Number | Annual Salary | Total Salaries |
|--|----------|--------|---------------|----------------|
| Supervisory international trade specialist | GM-14 | (2) | 56,627 | \$(113,254) |
| Supervisory international economist | GM-14 | (2) | 56,627 | (113,254) |
| International trade specialist | GM-14 | (1) | 56,627 | (56,627) |
| International trade specialist | GM-13 | (3) | 47,920 | (143,760) |
| International economist | GM-13 | (3) | 47,920 | (143,760) |
| Import compliance specialist | GS-12 | (2) | 40,298 | (80,596) |
| Computer programmer | GS-12 | (3) | 40,298 | (120,894) |
| International trade specialist | GS-11 | (2) | 33,623 | (67,246) |
| Trade finance specialist | GS-11 | (3) | 33,623 | (100,869) |
| Computer specialist | GS-09 | (1) | 27,789 | (27,789) |
| Trade specialist | GS-09 | (2) | 27,789 | (55,578) |
| Trade specialist | GS-07 | (2) | 22,717 | (45,434) |
| Foreign Commercial Service Officer | FS-01 | (1) | 66,609 | (66,609) |
| Foreign Commercial Service Officer | FS-02 | (4) | 53,973 | (215,892) |
| Foreign Service Nationals | Ungraded | (5) | 29,900 | (149,500) |
| Total | | (36) | | (1,501,062) |
| Less lapse | | 0 | | 0 |
| Total full-time permanent: | | (36) | | (1,501,062) |

Personnel Data

Full-time Equivalent Employment:

**Total
Salaries**

**Annual
Salary**

| Grade | Number |
|--------------|---------------|
| | (36) |
| | 0 |
| | <u>(36)</u> |
| | |
| | (36) |
| | 0 |
| | <u>(36)</u> |

Title:

Full-time permanent
Other than full-time permanent

Total

Authorized Positions:

Full-time permanent
Other than full-time permanent

Total

Department of Commerce
International Trade Administration
Operations and Administration
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Dollar amounts in thousands)

| Activity: International Trade Administration | | FY 1995 | |
|--|---|-----------------|--|
| Subactivity: FTE Savings for 1995 | | <u>Decrease</u> | |
| <u>Object class</u> | | | |
| 11 | Personnel compensation | | |
| 11.1 | Full-time permanent | (1,501) | |
| 11.3 | Other than full-time permanent | 0 | |
| 11.5 | Other personnel compensation | 0 | |
| 11.8 | Special personnel services payments | 0 | |
| 11.9 | Total personnel compensation | | |
| 12.1 | Civilian personnel benefits (26.96 %) | (1,501) | |
| 13.0 | Benefits for former personnel | (528) | |
| 21 | Travel and transportation of persons | 0 | |
| 22 | Transportation of things | 0 | |
| 23.1 | Rental payments to GSA | 0 | |
| 23.2 | Rental payments to others | 0 | |
| 23.3 | Communications, utilities and miscellaneous charges | 0 | |
| 24 | Printing and reproduction | 0 | |
| 25 | Other services | 0 | |
| 26 | Supplies and materials | 0 | |
| 31 | Equipment | 0 | |
| 32 | Land and structures | 0 | |
| 33 | Investments and loans | 0 | |
| 41 | Grants, subsidies and contributions | 0 | |
| 42 | Insurance claims and indemnities | 0 | |
| 43 | Interest and dividends | 0 | |
| 44 | Refunds | 0 | |
| 99 | Total obligations | (2,029) | |

Department of Commerce
International Trade Administration
Operations and Administration
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Direct obligations in thousands)

| Object Class | 1993
Actual | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|--|----------------|--------------------------------|--------------|------------------|-------------------------|
| | | | | | |
| 11 Personnel compensation | | | | | |
| 11.1 Full-time permanent | 97,168 | 104,913 | 109,916 | 110,373 | 457 |
| 11.3 Other than full-time permanent | 3,258 | 4,006 | 4,191 | 4,191 | 0 |
| 11.5 Other personnel compensation | 2,348 | 2,061 | 2,061 | 2,070 | 9 |
| 11.8 Special personnel services payments | 79 | 100 | 100 | 100 | 0 |
| 11.9 Total personnel compensation | 102,853 | 111,080 | 116,268 | 116,734 | 466 |
| 12.1 Civilian personnel benefits | 22,090 | 23,956 | 26,522 | 26,562 | 40 |
| 13 Benefits for former personnel | 691 | 400 | 400 | 400 | 0 |
| 21 Travel and transportation of persons | 5,704 | 8,471 | 8,535 | 10,147 | 1,612 |
| 22 Transportation of things | 1,442 | 1,431 | 1,435 | 2,030 | 595 |
| 23.1 Rental payments to GSA | 12,584 | 12,536 | 13,156 | 13,265 | 109 |
| 23.2 Rental payments to others | 5,827 | 6,027 | 6,185 | 6,981 | 796 |
| 23.3 Communications, utilities & miscellaneous charges | 6,318 | 7,653 | 7,830 | 7,855 | 25 |
| 24 Printing and reproduction | 1,984 | 3,552 | 3,649 | 3,783 | 134 |
| 25.1 Consulting Services | 308 | 377 | 300 | 300 | 0 |
| 25.2 Other services | 28,866 | 22,614 | 16,535 | 23,372 | 6,837 |
| 25.3 Purchases of goods and services from Gov't accounts | 0 | 23,304 | 26,498 | 26,573 | 75 |
| 26 Supplies and materials | 2,362 | 2,948 | 3,022 | 3,114 | 92 |
| 31 Equipment | 7,463 | 10,659 | 10,691 | 11,364 | 673 |
| 32 Lands and structures | 0 | 0 | 0 | 0 | 0 |
| 33 Investments and loans | 0 | 0 | 0 | 0 | 0 |
| 41 Grants, subsidies and contributions | 15,502 | 19,990 | 11,448 | 9,948 | (1,500) |
| 42 Insurance claims and indemnities | 0 | 20 | 20 | 20 | 0 |
| 43 Interest and dividends | 9 | 20 | 20 | 20 | 0 |
| 44 Refunds | 0 | 0 | 0 | 0 | 0 |
| 92 Undistributed | 42 | 0 | 0 | 0 | 0 |
| 99 Total Obligations | 214,045 | 255,038 | 252,514 | 262,468 | 9,954 |

1/ The obligation split for FY 1995 differs from the one found in the MAX 2000 database due to the application of updated information on this submission.

Department of Commerce
International Trade Administration
Operations and Administration
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Direct obligations in thousands)

| | 1993
Actual | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|----------------------------------|----------------|--------------------------------|--------------|------------------|-------------------------|
| Personnel Data | | | | | |
| Full-time Equivalent Employment: | | | | | |
| Full-time permanent | 2,048 | 2,323 | 2,326 | 2,302 | (24) |
| Other than full-time permanent | 116 | 120 | 120 | 120 | 0 |
| Total | 2,164 | 2,443 | 2,446 | 2,422 | (24) |
| Authorized Positions: | | | | | |
| Full-time permanent | 2,431 | 2,516 | 2,516 | 2,496 | (20) |
| Other than full-time permanent | 75 | 75 | 75 | 75 | 0 |
| Total | 2,506 | 2,591 | 2,591 | 2,571 | (20) |

Department of Commerce
International Trade Administration
Operations and Administration
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

| | | 1995 | 1995 | Increase/
(Decrease) |
|------|------------------------------------|-------|----------|-------------------------|
| | | Base | Estimate | |
| | Adjustments
to | | | |
| | Base | | | |
| 11 | Personnel Compensation | | | |
| 11.1 | Full-time Permanent | | | |
| | Executive level | 30 | 615 | 0 |
| | Senior executive | 191 | 4,687 | 0 |
| | General schedule | 3,396 | 66,802 | (295) |
| | Senior foreign service | 23 | 2,819 | 0 |
| | Foreign service staff | 499 | 13,021 | 392 |
| | Foreign service nationals | 864 | 22,429 | 360 |
| | Subtotal | 5,003 | 110,373 | 457 |
| 11.3 | Other than full-time permanent | | | |
| | General schedule | 185 | 4,191 | 0 |
| | Experts and consultants | 0 | 0 | 0 |
| | Subtotal | 185 | 4,191 | 0 |
| 11.5 | Other personnel compensation | | | |
| | Overtime | 0 | 1,382 | 2 |
| | Cash awards | 0 | 688 | 7 |
| | Subtotal | 0 | 2,070 | 9 |
| 11.8 | Special personnel service payments | | | |
| | Foreign service officers (State) | 0 | 100 | 0 |
| | Other | 0 | 0 | 0 |
| | Subtotal | 0 | 100 | 0 |
| 11.9 | Total personnel compensation | 5,188 | 116,734 | 466 |
| 12.1 | Civilian personnel benefits | (391) | 2,697 | (155) |
| | Civil service retirement | 1,475 | 6,838 | 71 |
| | Federal employees' retirement | 198 | 1,318 | 17 |
| | Thrift savings plan | 728 | 4,531 | 13 |
| | Federal insurance contribution act | 276 | 3,663 | 120 |
| | Health insurance | 10 | 206 | 1 |
| | Life insurance | (78) | 486 | 0 |
| | Employees' compensation fund | 348 | 6,810 | (27) |
| | Other | 2,566 | 26,562 | 40 |
| | Subtotal | | | |

| | 1995
Adjustments
to | 1995 | | Increase/
(Decrease) |
|--|---------------------------|----------|----------|-------------------------|
| | | Base | Estimate | |
| [Payments to GA, WCF] | [0] | [1,749] | [1,749] | [0] |
| [Overseas estimates] | [15] | [1,705] | [249] | [144] |
| Subtotal | 97 | 3,649 | 3,783 | 134 |
| 25.1 Consulting services | 0 | 300 | 300 | 0 |
| 25.2 Other services | | | | |
| Training | 0 | 126 | 159 | 33 |
| University | 0 | 893 | 968 | 75 |
| Other | 20 | 782 | 807 | 25 |
| Maintenance of equipment | 40 | 686 | 3,605 | 2,919 |
| Other non-governmental contracts | 0 | 361 | 361 | 0 |
| Representation | 312 | 13,687 | 17,472 | 3,785 |
| Other | [356] | [10,188] | [14,562] | [4,374] |
| [Overseas estimates] | 372 | 16,535 | 23,372 | 6,837 |
| Subtotal | | | | |
| 25.3 Purchase of goods and services from Gov't. accounts | 0 | 60 | 78 | 18 |
| Office of Personnel Management Training | 0 | 152 | 171 | 19 |
| GSA reimbursable services | 823 | 13,355 | 13,393 | 38 |
| Payment to GA, WCF | 2,291 | 12,931 | 12,931 | 0 |
| Foreign Affairs Administrative Support (State) | 3,114 | 26,498 | 26,573 | 75 |
| Subtotal | | | | |
| 26 Supplies and materials | | | | |
| Office supplies | 39 | 1,151 | 1,191 | 40 |
| ADP supplies | 20 | 661 | 703 | 42 |
| Other | 15 | 1,210 | 1,220 | 10 |
| [Overseas estimates] | [20] | [1,172] | [1,219] | [47] |
| Subtotal | 74 | 3,022 | 3,114 | 92 |
| 31 Equipment | | | | |
| Office machines and equipment | 32 | 4,130 | 4,133 | 3 |
| ADP hardware | 0 | 5,092 | 4,979 | (113) |
| ADP software | 0 | 537 | 850 | 313 |
| Other | 0 | 932 | 1,402 | 470 |
| [Overseas estimates] | [32] | [3,594] | [3,799] | [205] |
| Subtotal | 32 | 10,691 | 11,364 | 673 |
| 32 Lands and structures | 0 | 0 | 0 | 0 |
| Investments | 0 | 0 | 0 | 0 |
| 33 Grants, subsidies and contributions | (8,542) | 11,448 | 9,948 | (1,500) |
| 41 Insurance claims and indemnities | 0 | 20 | 20 | 0 |
| 42 Interest and dividends | 0 | 20 | 20 | 0 |
| 43 Refunds | 0 | 0 | 0 | 0 |
| 44 | | | | |
| 99 Total Obligations | 3,924 | 252,514 | 262,468 | 9,954 |

Department of Commerce
International Trade Administration
Appropriation Language and Code Citations:

I. *For necessary expenses for international trade activities of the Department of Commerce;*

- 15 U.S.C. 649b
- 15 U.S.C. 1501 et seq.
- 15 U.S.C. 1871
- 15 U.S.C. 4001 et seq.
- 15 U.S.C. 4011 et seq.
- 19 U.S.C. 81a et seq.
- 19 U.S.C. 1202
- 19 U.S.C. 1202 nt.
- 19 U.S.C. 1303
- 19 U.S.C. 1671 et seq.
- 19 U.S.C. 1673 et seq.
- 19 U.S.C. 2031
- 19 U.S.C. 2155
- 19 U.S.C. 2354
- 19 U.S.C. 2411 et seq.
- 22 U.S.C. 3901 et seq.
- 22 U.S.C. 2451 et seq.
- 22 U.S.C. 2651 et seq.
- 22 U.S.C. 3101 et seq.

15 U.S.C. 649b authorizes the Secretary of Commerce to award grants (including contracts and cooperative agreements) to encourage the development and implementation of small business international marketing programs.

15 U.S.C. 1501 et seq. provides the basic authority for performance of those functions and activities of ITA which promote an improved trade posture for United States industry.

15 U.S.C. 1871 provides the authority for an annual, comprehensive assessment of the state of the automobile industry and its interaction in an integrated economy.

15 U.S.C. 4001 et seq., 4011 et seq. (Export Trading Company Act of 1982) requires the establishment of an antitrust certification program and the promotion of export trading companies.

19 U.S.C. 81a et seq. establishes the Foreign-Trade Zones Board and designates the Secretary of Commerce as chairman and executive officer of the Board.

19 U.S.C. 1202 general note provides the Department of Commerce with the authority to develop, maintain, and publish a list of bona fide motor-vehicle manufacturers.

19 U.S.C. 1202 notes provides authority for two import control programs, the Watch Quota program and the Florence Agreement program.

19 U.S.C. 1303 authorizes the investigation as to whether a foreign government has paid or is paying a bounty or grant upon the manufacture, production, or export of merchandise imported into the United States, and if so, requires the determination and imposition of countervailing duties upon such merchandise. This section is limited to merchandise from a country not covered by the Agreement on Subsidies and Countervailing Measures or from a country which has not assumed obligations similar to those contained in such Agreement.

19 U.S.C. 1671 et seq. authorizes the investigation as to whether a foreign government has paid or pays a subsidy upon the manufacture, production, or export of merchandise imported into the United States, and if the International Trade Commission finds requisite injury, requires the determination and imposition of countervailing duties upon such merchandise. This section applies to merchandise from countries covered by the Agreement on Subsidies and Countervailing Measures or from countries which have assumed obligations similar to those contained in the Agreement.

19 U.S.C. 1673 et seq. authorizes the investigations as to whether foreign merchandise is, or is likely to be, sold in the United States at less than fair value and, if so, and if the International Trade Commission finds requisite injury, requires the determination and imposition of antidumping duties upon such merchandise.

19 U.S.C. 2031 provides the authority to promulgate rules and regulations pertaining thereto under the Automotive Products Trade Act of 1965 (19 U.S.C. 2001 et seq.).

19 U.S.C. 2155 authorizes the President to organize through the U.S. Trade Representative and the Secretaries of Commerce, Labor, Agriculture, the Treasury, or other executive departments, as appropriate, general policy advisory committees composed of representatives of all industry, labor, agricultural, service, investment, defense, and other interests

19 U.S.C. 2155 also authorizes the President to organize, through the U.S. Trade Representative and the Secretaries of Commerce, Labor, Agriculture, the Treasury, or other executive departments, as appropriate, sectoral or functional advisory committees composed of representatives from industry, labor, agriculture, and services. These committees provide policy and technical advice on international trade negotiating objectives and bargaining positions, the operation of trade agreements, and with respect to other matters involving the development, implementation, and administration of U.S. trade policy.

19 U.S.C. 2354 requires the Bureau of Industrial Economics to prepare studies, reports, and information activities for the Secretary of Commerce in response to investigations and findings of the International Trade Commission under 2252 of Title 19 to determine eligibility for adjustment assistance, except that reports to be submitted to the President shall be issued by the Secretary, and responsibility for assistance in preparation and processing of petitions and applications under Subsection 264 (c) shall be vested in the Assistant Secretary for Economic Development.

19 U.S.C. 2411 et seq. provides procedures for determinations and actions to be taken to enforce the rights of the United States under any trade agreement, or to respond to any act, policy, or practice of a foreign country that is inconsistent with the provisions or any trade agreement, that burdens or restricts United States commerce.

22 U.S.C. 3901 et seq., the Foreign Service Act of 1980 consolidated and revised the laws relating to the Administration and operations of the Foreign Service of the United States. Under Reorganization Plan No. 3 of 1979 and Executive Order 12188, the Secretary was authorized to establish and administer the Foreign Commercial Service and to utilize therefore the authorities of the Foreign Service Act.

22 U.S.C. 2451 et seq. authorizes the President to provide for U.S. participation in international fairs and expositions, including trade and industrial fairs and other public or private demonstrations of U.S. economic accomplishments. ITA provides a wide range of trade exhibitions overseas.

22 U.S.C. 2651 et seq. establishes the Department of State and provides authority for a number of overseas operations. Reorganization Plan No. 3 of 1979 and Executive Order 12188 authorize the utilization of certain of these authorities in connection with the operation of the Foreign Commercial Service.

22 U.S.C. 3101 et seq. authorizes the President to conduct surveys and studies of both United States direct investment abroad as well as foreign direct and portfolio investment in the United States. ITA monitors, analyzes, and reports to Congress on specific aspects of international investment which may have significant implications for the economic welfare and national security of the United States.

40 U.S.C. 512 provides authority for the administration of the Foreign Excess Property program.

2. *Including trade promotional activities abroad without regard to the provisions of law set forth in 44 U.S.C. 3702 and 3703;

No Specific Authority

44 U.S.C. 3702 specifies that an executive department may not publish or pay for advertisements without written authority from the head of that department.

The nature of ITA's overseas exhibition program requires maximum flexibility in advertising requirements since exhibitions may be changed, added, or canceled. When such changes take place, advertisements must be placed as soon as possible to inform the local business community. This exception from 44 U.S.C. 3702 will provide the flexibility which is required to effectively advertise for these exhibitions.

44 U.S.C. 3703 stipulates that prices paid for advertising may not exceed the commercial rates charged to provide individuals, with the usual discounts.

Since the United States Government does not have sovereign status in other countries and is charged commercial rates without the discounts required by 44 U.S.C. 3703, this exception is necessary to permit contracting in a manner which conforms to the realities of foreign advertising markets.

3. *full medical coverage for dependent members of immediate families of employees stationed overseas;*

No Specific Authority

This language permits the International Trade Administration to extend to certain of its overseas employees the same benefits afforded domestically employed Federal employees and employees of ITA's Foreign Commercial Service in equivalent positions overseas.

4. "travel and transportation of employees of the U.S. and Foreign Commercial Service between two points abroad, without regard to 49 U.S.C. 1517;"

No Specific Authority

In 1979, the Congress exempted Foreign Service agencies from the requirement that government travel between two points outside the United States be accomplished by U.S. air carrier. This phrase clarifies that the U.S. and Foreign Commercial Service is included in the exemption and overturns a Comptroller General decision to the contrary.

5. "employment of Americans and aliens by contract for services;"

No Specific Authority

44 CG 761, OPM guidance, and House Report 89-188 have concluded that Federal agencies must have specific authority to employ personnel by contract. In order to present its overseas exhibitions ITA often requires the use of narrators, demonstrators, receptionists, clerical, and facilities maintenance personnel who speak the language of the host country; are familiar with local practices and procedures; or who only need to be employed for a short period of time. In some cases, however, it is more advantageous to employ U.S. citizens in the host country (generally members of an employee's family) because they have greater familiarity with American methods and, therefore, require less effort to train.

6. "rental of space abroad for periods not exceeding ten years, and expenses of alternation, repair, or improvements;"

No Specific Authority

Buildings, pavilions, and space in such structures must be rented for exhibitions. Rental terms are established by fair authorities. The program may desire to exhibit at certain fairs which support ITA's trade development objectives. The installation of exhibits in rented buildings requires that certain alterations and improvements be made. To limit expenditures for such alterations and improvements would seriously restrict the quality and effectiveness of the exhibitions.

7. "purchase or construction of temporary demountable exhibition structures for use abroad;"

No Specific Authority

40 U.S.C. 601 prohibits the construction of public buildings except by the Administrator of the General Services Administration. Authority to purchase or construct such demountable structures is necessary to allow ITA to present exhibitions overseas when permanent exhibition facilities are not available. 41 U.S.C. 10a permits the purchase of articles, materials, or supplies in foreign countries when they are to be used in that country.

8. "payment of tort claims, in the manner authorized in the first paragraph of 28 U.S.C. 2672 when such claims arise in foreign countries;"

No Specific Authority

28 U.S.C. 2672 provides for settlement of tort claims for money damages of \$25,000 or less against the United States by the head of each federal agency for loss of property or personal injury or death caused by a negligent or wrongful act of any employee of the Government while acting within the scope of his employment in circumstances where the United States, if a private person, would be liable under local law. However, 28 U.S.C. 2680 exempts the settlement of tort claims which arise abroad from the provisions of 28 U.S.C. 2672. The language requested would exempt ITA from 22 U.S.C. 2680 and would cover the settlement of tort claims against the United States which arise in connection with the ITA's trade promotion activities abroad.

9. "not to exceed \$327,000 for official representation expenses abroad;"

No Specific Authority

5 U.S.C. 5536 prohibits additional pay, extra allowances, or compensation unless the appropriation explicitly states that it is for such additional pay, extra allowances, or compensation.

10. "purchase of passenger motor vehicles for official use abroad not to exceed \$30,000 per vehicle; obtain insurance on official motor vehicles, rent tie lines and teletype equipment;"

No Specific Authority

31 U.S.C. 1343 authorizes the purchase of passenger motor vehicles and purchase of motor vehicles for law enforcement use of the U.S. Capitol Police without regard to any price limitation otherwise established by law.

This section also prohibits the purchase of passenger motor vehicles unless specifically authorized by the appropriation concerned or other law with the exception of those for the use of the President of the United States, the secretaries to the President or the head of certain executive departments.

11. "to remain available until expended,"

No Specific Authority

31 U.S.C. 1301(c) provides that an appropriation in a regular, annual appropriation law may be construed to be permanent or available continuously if the appropriation expressly provides that it is available after the fiscal year covered by the law in which it appears.

12. "provided, that the provisions of the first sentence of section 105(f) and all of section 108(c) of the Mutual Educational and Cultural Exchange Act of 1961 (22 U.S.C. 2455(f) and 2458(c)) shall apply in carrying out these activities."

No Specific Authority

22 U.S.C. 2455(f) provides authority to accept contributions of funds, property and services from foreign governments, international organizations and private

individuals, firms, associations, agencies, and other groups in carrying out the activities concerned with exhibits pursuant to the Mutual Educational and Cultural Exchange Act of 1961.

22 U.S.C. 2458(c) provides authorization for all necessary expenditures involved in the selection, purchase, rental, construction, or other acquisition of exhibitions and the necessary supplies therefor.

This phrase provides for extension of this authority and permits ITA to collect funds for use in conducting trade promotion events abroad.

Department of Commerce
International Trade Administration
Operations and Administration
CONSULTING AND RELATED SERVICES
(Obligations in thousands)

| | 1993
<u>Actual</u> | 1994
<u>Estimate</u> | 1995
<u>Estimate</u> |
|--|-----------------------|-------------------------|-------------------------|
| Consulting services | \$40 | \$50 | \$50 |
| Management and professional services | 232 | 250 | 250 |
| Special studies and analyses | 36 | 77 | --- |
| Management and support services for research and development | --- | --- | --- |
| Total | <u>\$308</u> | <u>\$377</u> | <u>\$300</u> |

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ITA requires consulting services to meet relatively short-term requirements for industry and/or economic expertise. Because of various ITA programs which focus on very narrow areas (specific export promotion events, negotiations, antidumping and countervailing duty cases), it is preferable to maintain the ability to obtain short-term expertise rather than a permanent staff capacity.

Consulting services: These services were used in FY 1993 in Import Administration for econometric forecasting in connection with antidumping and countervailing duty caseload and related trade agreements.

Management and professional services: These services provide technical expertise, interpretation and stenographic services required in antidumping and countervailing duty case hearings and verifications.

Special studies and analyses: These services were used in Trade Development in FY 1993 for a research and analysis studies on the health care industry (\$36,000).

Department of Commerce
International Trade Administration
Operations and Administration
PERIODICALS, PAMPHLETS, AND AUDIOVISUAL PRODUCTS
(Obligations in thousands)

| | 1993
<u>Actual</u> | 1994
<u>Estimate</u> | 1995
<u>Estimate</u> |
|---------------------------------|-----------------------|-------------------------|-------------------------|
| Periodicals ^{1/} | | | |
| Pamphlets ^{2/} | \$858 | \$928 | \$1,002 |
| Audiovisuals | 388 | 384 | 384 |
| Total | <u> </u> | <u>\$1,246</u> | <u>\$1,312</u> |
| | | | \$1,386 |

^{1/} Includes off-setting receipts as follows: FY 1992 = \$695, FY 1993 = \$553, FY 1994 = \$672, and FY 1995 = \$739.
^{2/} Includes off-setting receipts as follows: FY 1992 = \$145, and \$119 in FY 1993, FY 1994, and FY 1995.

TTA publications, periodicals as well as pamphlets, are one of the most essential tools through which the organization fulfills its mission to carry out the U.S. Government's nonagricultural trade activities to encourage and promote U.S. exports of manufactured goods, to administer U.S. statutes and agreements dealing with foreign trade, and to advise on U.S. international and domestic trade and commercial policy. Periodicals include Business America and Commercial News USA.

Individual publications, including Foreign Economic Trends, Overseas Business Reports, economic and market research studies, foreign direct investment reports and textile reports, play an essential role in keeping the business public informed on particular aspects of the global business picture which ITA is charged with disseminating. The annual U.S. Industrial Outlook is the Department of Commerce's and the U.S. Government's preeminent report on domestic industry.

Department of Commerce
International Trade Administration
Operations and Administration
AVERAGE GRADE AND SALARIES

| | <u>1993
Actual</u> | <u>1994
Estimate</u> | <u>1995
Estimate</u> |
|---|------------------------|--------------------------|--------------------------|
| Direct: | | | |
| Average ES salary | \$104,381 | \$108,796 | \$110,446 |
| Average GS grade | 10.33 | 10.27 | 10.24 |
| Average GS salary | \$36,985 | \$38,272 | \$38,811 |
| Average grade and salary established by the Foreign Service Act
of 1980 (U.S.C. 801-1158): | | | |
| Average Senior Foreign Service salary | \$104,173 | \$104,173 | \$105,840 |
| Average Foreign Service grade | 2.56 | 2.59 | 2.63 |
| Average Foreign Service salary | \$49,228 | \$50,069 | \$50,540 |
| Average salary in foreign countries | \$30,685 | \$34,092 | \$35,886 |

Mr. MORAN. Testifying on behalf of the International Trade Administration is the Under Secretary of Commerce for International Trade, Jeff Garten. Since this is your first time before the subcommittee, we will put your bio into the record at this point as well. And maybe, Mr. Under Secretary, you can give us a synopsis of your testimony. All of it will be put into the record as well. You may proceed.

ITA STRATEGIC APPROACH TO TRADE ISSUES

Mr. GARTEN. Thank you very much, Mr. Chairman. As you said, this is my first appearance before this committee and it is a pleasure to be here. I would like to just summarize my remarks, maybe by starting with our overall strategic approach to the trade issues for which we are responsible.

One of the most important aspects of the International Trade Administration is the execution of the national export strategy on behalf of Secretary Brown. This strategy has many elements, many of which are not strictly in the province of the Commerce Department, such as the need to improve trade financing for American companies. Nevertheless, we spend a good deal of our time and devote a good deal of our resources to coordinating the national export strategy, a process that encompasses some 18 agencies of the government.

I would like to just focus on a few things that the Commerce Department is responsible for. First, we have already established so-called one-stop U.S. Export Assistance Centers in three cities. These are centers that are designed to consolidate all Federal activities and link those activities with the services on the State and local level. We are looking forward to opening a fourth center very shortly.

Mr. MORAN. Where are those centers?

Mr. GARTEN. One is in Baltimore, one is in Chicago, one is in Miami, and the one that is about to open is in Los Angeles. As you may know, we are going to be opening several more. We haven't identified exactly where, but I think this is a significant innovation.

Mr. MORAN. Do they go places, other places besides their immediate office to help groups, for example, in other metropolitan regions?

Mr. GARTEN. Oh, yes.

Mr. MORAN. They travel?

Mr. GARTEN. Well, they just started, but the game plan is for export centers to be set up around the United States and for each center to have quite a long reach in terms of the services it provides. We couldn't possibly set up enough so that potential American exporters could come to them. They are going to have to go out and disseminate information and services as well.

Mr. MORAN. Good. Proceed.

Mr. GARTEN. We have established in the Commerce Department what we call an advocacy center. This is an effort to focus on some of the largest projects around the world, projects where American firms, if successful, would win a significant amount of sales, and we believe this will translate into a significant amount of jobs in the United States.

We have been developing strategic commercial plans for major export markets around the world, and we are focusing, in particular, on what we call Big Emerging Markets, which are ten countries around the world, which we believe will be growing fast and where we think the potential for American sales is unusually large. These include countries like Indonesia, Korea, Poland, Mexico, and Brazil.

We are also focusing on several sectors, we call this Big Emerging Sectors, and the objective here is to be able to focus on some industries where we are quite sure there is market export potential. These are not the only industries that we are focusing on, but give us a point of reference. Some of these industries include, for example, information services, including telecommunications, transportation, including aerospace and automotive, and health care services, including medical devices.

The point I just want to make with the concept of the Big Emerging Markets and the Big Emerging Sectors is that for the first time we have an intense focus and a way to coordinate our activities. For the purposes of this hearing, I also want to emphasize how much time and effort and resources these activities are taking.

Elsewhere, we are going to be playing a leadership role in the implementation of the Uruguay Round. The legislation hasn't reached Congress yet, but when it does, this is going to be a very complex set of issues for the Congress to deal with. Additionally it is going to require a very significant educational outreach around the country so that our citizens understand the issues that will be involved.

We are continuing to implement the objectives of NAFTA, and we are operating the NAFTA Secretariat, which is also a very complex operation. We have also been playing a very major role in the trade negotiations with Japan. As you know, they are a long way from being over, and this, too, is taking a tremendous amount of resources.

Finally, when it comes to trade law enforcement, this is a very critical part of the ITA focus. I said when I was confirmed that there would be no higher priority than to protect our businesses against unfair trade practices. We have a full agenda and we will also be working in this area when it comes to the implementing legislation.

Turning to the budget increases that the President is recommending, there are three important increases. First, we want to enhance, we want to build up our global network, and we are asking for \$11.3 million and 16 new positions.

Secondly, in the area of sectorial focus that I mentioned, we want to give special attention to the promotion of environmental technologies and we are asking for \$4.1 million for that. Third, we need to improve our information systems and we are asking for \$.9 million for that.

I can go into the reasons for each of these requests, but let me just say, Mr. Chairman, that even though I haven't been at the Commerce Department too long, I was confirmed in November, I have had a long history in international economic policy in three past administrations and on Wall Street for 13 or 14 years. I have lived abroad. I worked with lots of American companies. I followed

the international economic trends, and I can say that in my 25 years of professional experience, there has never been a time when there was a greater need to really focus on America's international commercial interests.

On the one hand, we have some extraordinary opportunities to exploit foreign markets. I think American companies for the most part are turning the corner in terms of their competitiveness. But I think they also could use a lot of Federal assistance in selected areas.

On the other hand, the nature of the competition we face is ferocious. I just came back from two weeks in Asia. And my awe of the opportunities is offset by the witnessing firsthand of the competition, not just from Japan, but from the Europeans and from other Asian countries like Korea and Taiwan.

The upshot of this is that we have a tremendous task ahead of us. I believe that the Clinton Administration has focused very properly on export promotion and trade facilitation, and I think that the request that we have put before you, parallels precisely the kinds of priorities that we should be following. Thank you.

[The biographical sketch and prepared statement Mr. Garten follow:]



UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

JEFFREY E. GARTEN
Under Secretary of Commerce for International Trade

Jeffrey E. Garten was appointed by the President and confirmed by the United States Senate on November 8, 1993.

Mr. Garten leads the U.S. Department of Commerce's International Trade Administration. The International Trade Administration, comprised of over 2000 men and women around the world, has responsibility for trade promotion, assistance to American firms abroad, enforcement of the laws against unfair foreign trade practices, and the development of trade policy generally.

Mr. Garten held senior posts on the White House staff and at the State Department in the Nixon, Ford, and Carter Administrations. His tenure in government included positions at the White House Council on International Economic Policy and the White House International Economic Policy Group. He also was Deputy Director of the State Department Policy Planning Staff under current NSC director Anthony Lake.

Mr. Garten's business career began in 1979 when he joined the investment banking house of Lehman Brothers Kuhn Loeb; in 1984, he was named a managing director at Shearson Lehman Brothers. His responsibilities included providing investment banking advice to finance ministers and central bank governors in Latin America; directing Shearson Lehman Brothers' Japan office and the firm's investment banking activities in Asia; and leading an advisory team which restructured two of the world's major Hong Kong-based shipping companies.

From 1987 to 1990, Mr. Garten was President of the Eliot Group, Inc., an investment bank he founded to provide financial advisory services to companies in America, Asia, Europe and Latin America. In 1991, Mr. Garten was appointed a managing director of the Blackstone Group, where he specialized in international financial advisory work and mergers and acquisitions.

Most recently, Mr. Garten was a professor of finance and economics at Columbia University's Graduate School of Business.

Mr. Garten is the author of A Cold Peace: America, Japan, Germany, and the Struggle for Supremacy, describing the past and future relationships among Washington, Tokyo, and Berlin. He also has written numerous articles for The New York Times, The Wall Street Journal, The Los Angeles Times, The Washington Post, and Foreign Affairs magazine. His writings have covered such topics as American foreign policy, economic topics related to Japan, East Asia, the European Community, and Latin America.

Mr. Garten holds a B.A. from Dartmouth College and an M.A. and a Ph.D. from the School of Advanced International Studies at Johns Hopkins University. He served as a captain in the U.S. Army from 1968-1972. He is married to Ina R. Garten.



PREPARED STATEMENT BY JEFFREY E. GARTEN
UNDER SECRETARY FOR INTERNATIONAL TRADE
DEPARTMENT OF COMMERCE

Before the Subcommittee on
Commerce, Justice, State, the Judiciary and Related Agencies
Committee on Appropriations
House of Representatives
March 15, 1994

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear before you in support of the International Trade Administration's FY 1995 budget request.

Our request for \$262.5 million and 2,496 positions represents an increase of \$15.9 million and a decrease of 20 positions relative to the 1994 appropriation. The package, taken as a whole, reflects this Administration's strong commitment to promote U.S. international trade in a dynamic global economy. I would like to briefly describe how ITA is supporting America's efforts in international trade and then discuss the specifics of our budget request.

U.S. LEADERSHIP ROLE IN GLOBAL COMMERCE

ITA will aggressively support this Administration's efforts to help the nation "compete, not retreat" abroad. Our efforts are intended to promote free trade, and address and remedy unfair trade practices by foreign countries. President Clinton has stated: "It is time for us to make trade a priority element of American security" and "to take on the hard work of creating a more open trading system that enables us and our trading partners to prosper."

INTERNATIONAL TRADE OUTLOOK

The outlook for U.S. business in international trade is mixed. Unfortunately, for 1994 our outlook is that the merchandise trade deficit will continue to grow. Our expectation is that the U.S. economy will outperform the economies of most of our major trading partners. As the U.S. economy grows out of recession, imports will outpace exports until the economies of Europe and Japan rebound. On the positive side, U.S. export growth should continue to be buoyant in 1994, with expanding exports to Latin America and Asia. In addition, exports to Canada, the largest U.S. market, should pick up as the Canadian economy recovers. Exports to Mexico should increase in the wake of NAFTA passage, lower Mexican interest rates, and greater Mexican government spending. In 1994, as in 1993, the developing countries of the world show the most promise for economic growth, and the most promise for U.S. exports.

STRATEGIC GOALS

We have undertaken a major effort to direct the bulk of ITA's resources toward achieving a few key, strategic goals which position us to respond to this outlook for international trade. We have decided to structure our operating plans in a way which indicates our progress in meeting these overarching goals.

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One key goal is for us to take a leadership role in implementing the National Export Strategy as devised by the Trade Promotion Coordinating Committee (TPCC). In so doing, we have already established 3 U.S. Export Assistance Centers in the cities of Miami, Baltimore, and Chicago, with a fourth ready to formally open in Los Angeles (Long Beach) next month. After evaluating the progress of these Centers, we hope to open new ones next year. We have strengthened our advocacy support by establishing a central point of contact where businesses involved in major, big ticket global competitions could voice their concerns. Working with all 19 of the agencies participating on the TPCC, we have started developing a comprehensive roster of all federal trade events. We also have begun developing Strategic Commercial Plans in countries with significant market potential. These Plans represent a new way of doing business in that they are developed by all members of the country team, under direction of the Ambassador.

Second, we have identified Big Emerging Markets in which we want to focus our limited resources. These are markets such as China, India, Indonesia, Korea, Poland, Turkey, South Africa, Mexico, Brazil, and Argentina where we believe the potential for growth is enormous.

Third, we have also identified Big Emerging Sectors where ITA support and assistance can have an impact. We have identified a

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number of sectors, including environmental technologies, health care technologies, information technologies, transportation technologies, energy technologies, and financial services.

Trade Policy Development must now gear up to help us navigate through a post-NAFTA, post-Uruguay Round world, including implementation of these agreements. A key element for us will be playing a leadership role in Uruguay Round implementing legislation as it relates to AD/CVD laws. We will work for "fast track" passage in the Congress of GATT Uruguay Round agreements and subsequently initiate domestic and international implementation of the GATT provisions. We continue to work to implement the objectives of the North American Free Trade Agreement (NAFTA). In particular, we will operate the U.S. section of the NAFTA Secretariat, which handles all activities related to NAFTA dispute settlements. We also have been leading outreach efforts, such as holding seminars and distributing information, to ensure exporters can take full advantage of the NAFTA provisions.

Clearly, we have vital issues to resolve with Japan, the partner with whom we have by far the largest bilateral trade deficit. These will require follow-up and negotiation support. In addition, we will continue to play a major role in key U.S. Government commercial relationships with such countries as the Non-Russian Republics of the former Soviet Union, and China. We

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are also committed to addressing new issues in trade policy such as trade and technology integration, trade finance, and defense conversion.

Finally, Trade Law Enforcement is as critical as ever to ensure the trade playing field is as level as possible. We will continue to enforce existing trade agreements and U.S. trade laws to open more export markets. Further, we are redoubling our efforts to improve and streamline the investigations and reviews we conduct in implementing the antidumping and countervailing duty laws.

EXPECTED BENEFITS FOR THE NATION

Exports create millions of jobs for American workers and have become the primary "engine of growth" for the economy. The expansion of trade stimulates economic growth by fostering better paying jobs, higher productivity, and a higher standard of living for the average American. One out of six manufacturing jobs is linked to exports -- up from one in eight only a few years ago. Moreover, our national security is closely bound with our economic strength.

BUDGET DESIGN

ITA's budget request includes a carefully integrated set of

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programs and policies aimed at improving the international trade climate for American business and industry. We intend to achieve this by:

- working to create an international trading environment which will allow U.S. industry maximum access to international markets for its goods and services
- increasing the level of American business involvement in the international marketplace by working in close partnership with U.S. companies to take full advantage of export and investment opportunities
- providing effective enforcement of U.S. trade laws against unfairly traded imports.

BUDGET INCREASE PROPOSALS

This budget request provides the necessary resources for several new initiatives aimed at increasing ITA's ability to serve the U.S. business community and improve the quality of the services we provide. Specifically, we are requesting three important increases:

- Enhanced Global Network for \$11.3 million and 12 FTE
- Environmental Technologies for \$4.1 million, and
- Trade Policy Information System for \$0.9 million.

These increase proposals fall into two of the Department's "policy baskets" of program initiatives. The Global Network and Trade Policy Information System increases support the

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Department's Export Growth cross-cutting basket. The Environment request falls under the Department's Civilian Technology basket.

Our requests are the culmination of a tremendous amount of interagency efforts, both within and outside the Department. The Global Network and Environment increases, for example, are direct outgrowths of our work with the TPCC. For our Environment initiative, we have worked closely with Technology Administration and NOAA, as well as with the Department of Energy and EPA.

Enhanced Global Network

This request will enable us to improve delivery of export promotion services domestically and abroad, in concert with the themes enunciated by the TPCC. The emphasis of the enhancement will be on:

- targeting of critical growth markets and industries where ITA counseling, assistance and analysis can have maximum impact
- among markets slated for additional resources are Mexico, China, and the ASEAN nations
- more aggressive advocacy efforts
- increasing U.S. business' awareness of sources of, and access to, trade finance
- assisting firms in converting from defense production to commercial marketing.

Environmental Technologies

The focus of this initiative will be to develop and implement a strategic international marketing program to increase U.S. exports of environmental technology. Successful implementation of this strategy will mean more jobs at home while we promote a cleaner environment around the globe. Geographically, we see significant opportunities for environmental exports in Eastern Europe, the NIS, Canada, Mexico, and China.

Most significant activities will include seminars, conferences and trade missions in partnership with appropriate trade associations; a focus on Mexican border infrastructure development; and support of technical demonstration projects to show, directly, the marketability overseas of U.S. environmental control technologies.

Trade Policy Information System

Finally, this proposal will enable us to effectively and efficiently migrate from a mainframe-based system to a more flexible and rapid PC-based one. This is the system we use to analyze trade data critical to trade negotiations and policy development.

* * * * *

Exports continue to play an essential role in America's quest for prosperity now and in the future. Current American exporters and potential exporters, particularly small and medium-sized firms,

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find themselves in a rapidly changing global economy and require a strong and consistent commitment of resources to aid them in reaching their, and in turn our, national trade goals and objectives.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you or the subcommittee members may have.

Mr. MORAN. Thank you, Mr. Garten. Mr. Rogers is the Ranking Member of this committee. Would you like to begin the questioning?

EXPORT ASSISTANCE CENTERS

Mr. ROGERS. Thank you, Mr. Chairman. That is very kind of you. Welcome to the hearing. I thank you for your statement. I wanted to ask you about these one-stop export centers that you mentioned.

As I understand from your testimony, these centers will only service, "export-ready firms." Please give me a definition for an "export-ready firm."

Mr. GARTEN. I will give you a layman's definition first, that any firm that wants to export is export ready. But more precisely, as you can imagine, sir, there are so many American firms for us to deal with, that, at least in the first instance, we need to focus on those that we think we can get results. That means that for most of these Export Assistance Centers, there is no reason to focus on the Fortune 500, because for the most part, they have already been exporting. They know what to do, they know how to get financing and they have the overseas contacts.

By the same token, we probably don't have the resources to deal with firms on the other end of the spectrum who have never been abroad, have never exported anything. The companies that we think are most ripe for assistance, where we can register sales and where we can generate jobs, are those that have had at least some modicum of experience selling abroad.

Export ready is a very, in my view, very elastic definition. It simply means that companies have thought about it. The ideal situation is that they have exported a little bit, maybe they have one foreign market, and now they are now ready to go global, and the Federal government can assist them. But having said that, I don't want to rule out providing services to any company that is interested.

It is just as a category we are looking for where we can, if you can excuse the expression, get the most bang for the buck. We, of course, are not alone in the Export Assistance Centers. It is not just the Commerce Department. It is the Eximbank, representatives from OPIC, and also the Small Business Administration. We want to expand, and in doing so we want to extend our services to medium and small-sized businesses. That is a major objective. The Small Business Administration is part of these Export Assistance Centers and, hopefully, will provide greater outreach to firms that have not traditionally exported.

Mr. ROGERS. So would you then be closing down the other field offices?

Mr. GARTEN. No, we will not. In some cases we may consolidate the Export Assistance Center with the district field offices in terms of facilities, but we do not have any intention of closing anything down.

Mr. ROGERS. And I believe you said you would have eventually eight of these one-stop shops?

Mr. GARTEN. Well, I hesitate to say how many we will eventually have, but we are establishing four initial centers, which we con-

sider pilot programs. As I mentioned, this should be done within the next month or so.

For next year, we are thinking about identifying another ten locations. But a lot of this will depend on our experience with the first four. We are not trying to pepper the country with these Export Assistance Centers so much as trying to figure out what really works. We know our current system could be improved. We think these Export Assistance Centers will be a major upgrade in terms of our services.

I personally opened the Miami Export Assistance Center, and from what I saw, it is quite impressive in terms of all of the agencies being on one floor, and the flow of information within the offices. I gather already that the number of contacts that are being made by industry coming to the Export Center is quite impressive. In terms of how many we ultimately set up, I think that experience will be our guide. But our plan now is for ten more.

Mr. ROGERS. Well, suppose I am an export-ready businessman in the southern part of Illinois, and I have a good product and I have maybe dabbled a little bit in exporting a time or two, but I am interested in expanding in that area. What would I do?

Mr. GARTEN. Well, I will give you one scenario. The staff of the Export Assistance Center in Chicago, which has just been set up, but let's say it is six months from now, should have gotten a tremendous amount of information out to companies all over Illinois to announce that they are providing this service.

If you are a medium-sized company and you are interested in exporting, my hope is that you would pick up the phone and call these guys and say now what can you do for me?

Mr. ROGERS. And what would you say if I did that?

Mr. GARTEN. Then I would invite you over or I would come see you and I would talk to you about what your strategic plan is, what is your product, what kinds of markets are you interested in. And let's just say, hypothetically, you say, "Well, I make a pump and I think that the price is highly competitive and I am very interested, I have heard a lot about Asia. I hear it is growing very fast. I would like to get into that market."

We should be in a position to give you some very precise information about market opportunities in several Asian countries. And then if you really wanted to follow up, we would consider you for a trade mission, which we do periodically to take companies over there to look for partners or look at opportunities. But at a minimum, we should be able to wire you into a constant stream of information about the markets.

Now, if you wanted to exploit the markets, if you wanted to do something and you said, "Well, I don't have the money," we should be able to give you a hand in getting export finance assistance. Depending on your size, that may come from the Small Business Administration or it may come from the Export-Import Bank. And, if you are in a high-tech area and are worried about export controls, we would be able to give you information on where you fit into that regime. So from the beginning to the end, if our system works as well as it should, we should be able to assist you. The one thing we can't do, I should emphasize, is make you competitive, and we can't improve the quality of your product.

Mr. ROGERS. Well, I could go to the nearest U.S. Department of Commerce office and look at the computer daily printout and see where in the world there is a market for this pump that I am making. Isn't that right?

Mr. GARTEN. You should be able to get information that way, and, frankly, you don't have to go to the Commerce Department to get that. You probably could get it from a commercial source. But if you have ever seen one of these printouts, if you are in a business, you are not going to rely on that entirely. You don't know whether the opportunity is shifting. You don't know the political, legal or economic environment in that country. You don't know what other firms are doing. That would be a starting point. But I think it certainly would not be a substitute for a team of people who specialize in helping you to get your product abroad.

Mr. ROGERS. Well, couldn't you put a lot of this info up on the information superhighway and any business of any size has access to the network out there, particularly the U.S. Commerce computer network. Couldn't you do a lot more with bang for the buck rather than put money in these physical centers you are talking about, and to upgrade the information on the superhighway so that I can check in at my business and see that maybe in Cambodia there may be a market for my pump and so—but there is more information on that screen than about Cambodia and what type of market it is and what kind of pumps they are looking for?

I mean we have the Foreign Commercial Service over there in every one of these countries seeking out these leads daily and pumping them up on the information highway. Couldn't we spend this money more wisely by improving the information highway than to put these physical centers in?

Mr. GARTEN. Well, I think we are not asking for any additional money for these export assistance centers.

Mr. ROGERS. They are not going to cost anything?

Mr. GARTEN. We are using our existing budget. We are re-allocating, so this doesn't represent a request for additional funds. I think there is a lot in what you say and I would hope that over the next 10 years or the next five years, we could upgrade significantly the amount and quality of information and services that can be provided by computers. But I can tell you that we are not near that now.

As far as I know, the national information infrastructure is not going to be in place tomorrow. If you are a small- or medium-sized firm the urgency to export is great and you don't want to miss those opportunities right now. I think it would be a misreading of how information is gathered and decisions are made to think that computer information would substitute for the human element.

Mr. ROGERS. I don't mean to suggest that—but I suggest to you that it could take a lot more businesses a lot further down the pipe before we have to come to you for a personal assistance, Exim contact, SBA, etc. I am not saying the centers are bad. I am just saying that I think we could serve a lot more people, particularly, the small- and medium-sized maybe non-export-ready companies, rather than helping a few hundred companies that will be served by these centers.

Anyway, it is argumentative, but it is an interesting concept you have. I just hope we don't forget these small and medium-sized businesses that wind up being big exporters just by happenstance.

Mr. GARTEN. Well, I can assure you that we are attempting to focus our efforts on small and medium-sized businesses. And I take very seriously what you say about making better use of information technology.

ROLE OF COMPUTERS

Mr. ROGERS. I know in my district, forgive the personal reference here, but we are building this rural development center, which will serve about a third of the State of Kentucky. We are going to link all of the 40 counties or so together into that center by computer and by two-way interactive telecommunications. And one of the facets of that center will be to link up with the U.S. Commerce's computer, and also U.S. Agriculture's computers, and thereby all of the embassies in the world. So a business in one of my communities can immediately go to a location and link up with any embassy in the world looking for products and services to export.

We have got the U.S. Commerce's system, CIMS, which supposedly provides that information for the whole country. Are you taking full advantage of CIMS and working with the folks in-country every day?

Mr. GARTEN. Well, we are certainly doing our best on that. I am told that CIMS is in all the offices.

Mr. ROGERS. Well, I will have more questions. Mr. Chairman, thanks for letting me go first.

Mr. MORAN. Thank you, Mr. Rogers. I am very much interested in the line of questioning and I was just being filled in on what some of the responses were, but I think that most of the Members of Congress are interested in what Mr. Rogers is interested in, the facilitation of opportunities for people in our district to trade overseas and also for the people in our district to get the benefits of products that might be manufactured overseas.

LOCALIZED ASSISTANCE

An example, I spent much of Saturday, when I wasn't marching in the St. Patrick's Day parade, which was pretty much downtime, with a group of Asian Americans, people from Korea, Cambodia, several from Vietnam, China. And interestingly enough, they all are cooperating beautifully, because they all have a similar objective. They wanted to know how they can make contacts with the country of origin to set up trade relationships. And it does seem that particularly in some of these districts where you have a great deal of ethnic diversity and people with real understanding and appreciation, knowledge of the culture, that this is a real asset for us, a real resource to develop these kinds of trade relationships.

All of them want to continue living here, but they would like to help develop the process and progress of democracy in their own country and develop, of course, their free enterprise system. Now, how do you go about assisting a group like that?

For example, do you have people who can come and talk to a group of maybe 50 or 60 people who are interested in setting up ties on generally what steps they need to take to make those con-

tacts without overstepping their bounds in terms of export administration parameters that the governments have set up? And then is there an ability to deal with them on an individual basis, giving them references and so on? You can address that?

Mr. GARTEN. Sure. Any group, whether it is an ethnically distinct group or maybe it is a group of companies, that wanted some assistance in figuring out what to do in terms of exporting, we would be delighted to send one or two or a team of people to talk to them. And we could do that either from Washington or through the district U.S. and FCS offices, which are really set up to do that kind of thing.

If it is the kind of group that you are talking about, let's just say hypothetically, that it is a Thai group, I think we could do something quite interesting. We have the resources in the Commerce Department. Not only could we explain to them how to set up trade links, but we could give them a lot of information about Thailand itself, so there is sort of a functional part and there is a geographical part, and that is in the International Trade Administration; we have both.

When it comes to individuals, I want to be straight with you, that is a little different just in terms of stretching our resources. Of course, if you said that there is somebody in a company who represents a certain set of interests and the person would like a briefing, of course, we would be delighted to do that. But we see ourselves as more of a wholesaler generally. That is simply a function of the limits on our resources.

I would say, as we look further down the road with the pressures on the budgets, that we have to figure out how to be a wholesaler much more effectively. One of the implications of this role, in my view, is that we have to figure out a way to work much more closely with State and local export promotion facilities. Because in virtually every State there are now counterparts to what we are trying to do.

In many of these States, these operations are quite innovative and they are definitely closer to a lot of the companies in their localities. One of our strategic goals is to be able to wholesale our knowledge and services, and relate more closely to the State and the municipal entities that are also focusing on trade through these export assistance centers. Not to dwell on that because that is certainly not the major part of our focus, but we are trying to colocate these Export Assistance Centers with the State and local facilities so that this kind of coordination that I am talking about comes closer to reality than it is now.

Mr. MORAN. Well, good, that is all laudatory. I just hope it works. Because you are really in the infancy stage of doing that.

TRADE PROMOTION COORDINATION COMMITTEE

Tell us a little about the Trade Promotion Coordinating Committee. Are you implementing the recommendations that were contained in its first report last fall? We are going to create these mini trade promotion coordinating committees and embassies.

There is some question as to what role the U.S. and Foreign Commercial Service plays. Tell us a little about the TPCC.

Mr. GARTEN. As you know, the President announced a national export strategy last September, and released a report which was put together under the direction of Secretary Brown. I included 65 specific recommendations. Those recommendations are being implemented by the TPCC, an interagency committee consisting of 18 agencies. Although it has only been six months, but I think we have made some significant progress.

First of all, we have gone a reasonable way in the area of trade finance. One of the great obstacles to American exporters is that the trade finance facilities of Germany, England, France, Japan, you name it, are really much more extensive than what we have been able to provide, and particularly in certain areas where foreign governments subsidize their financing. So in this budget, the President has asked for \$150 million as a kind of a war chest to meet some of the subsidized competition in key markets.

Secondly, a number of the recommendations of the National Export Strategy revolved around the notion of government advocacy. This is government support of American firms abroad as they seek contracts. Every other government in the world does this as a matter of routine.

Over the years, U.S. Government has done it sometimes and sometimes it hasn't. It has been an episodic effort. We are really focusing intensely on working with American firms and leaning on foreign governments to ensure that at least there is some kind of a level playing field. And a lot of the recommendations revolve around that.

Third, by legislation, we were mandated in the National Export Strategy to come up with a focus on countries and sectors. We are developing country marketing plans for all the major markets, but as I said in my opening remarks, we have singled out ten of these for very special and accelerated treatment. And we are moving on that. We have developed export promotion strategies for particular markets and are making sure that all of our programs are coordinated so that whatever gaps that exist are filled.

When it comes to sectors, we are treading very carefully. There is no appetite at all for anything like an industrial policy, but we do need some kind of focus. One of the areas of focus, for example, is environmental technologies. We have asked for some money for that. But we are looking at a series of other sectors, too. Actually not sectors, they are clusters of industries that you might call sectors. When all is said and done, it covers a good portion of the American economy.

The National Export Strategy did talk about export controls, particularly making sure that those controls that are not essential for national security are liberalized for our commercial interest. The Administration has made significant progress in that area, too. I think it is fair to say that we have systematically begun to implement many of these recommendations. We have even begun to come up with what is a very, very difficult task, which is to provide a unified export promotion budget, looking across the government at how money is spent and asking the tough questions. Is the way the money is being spent the right way?

I don't have to tell you this is the easy part—putting together that picture. Attempting to move the funds—that will be much

more difficult. But we have taken the first step in just putting together the analysis. I would not tell you that we are 100 percent or anything close to that in terms of implementing these recommendations. In fact, we have just started. It has been six months.

In my view, the United States has not had an export mentality. In order to change that, we are going to have to work very hard over a period of years to make exporting a major activity. I think we are being helped a lot by a President who is talking about exports all the time, and an Administration that has placed exporting in the center of its domestic economic policy. But this is very complicated and anyone who feels that somehow they are going to see immediate results from Government efforts after so many years of conflicting policies, is not being realistic.

DEFENSE CONVERSION

Mr. MORAN. You asked for a little more money for defense conversion. Have you done anything in the way of defense conversion, helping firms expand their export efforts to make up for losses in defense contracts?

Mr. GARTEN. I will tell you our part in this. This is a much bigger issue, obviously, but the money that we are asking for is to help the U.S. and FCS in the district offices to implement Administration plans for defense conversion. We, ourselves, are not involved in the policy. And I would like to get back to you on exactly what concrete accomplishments the Administration may have.

Mr. MORAN. That might be useful if you want an increase in the money within the budget. Mr. Mollohan. Mr. Rogers has asked some questions. That is nice of you to show that deference.

Mr. MOLLOHAN. Let me follow up just a little bit. Perhaps it will be going over the same ground, but with regard to your coordination efforts on to export assistance, I understand you have a lead responsibility for this in the Federal government in coordinating activities with such groups as the U.S. Foreign and Commercial Service, the Small Business Administration, Eximbank, and the Department of Agriculture and others. Am I correct in saying that you are involved in trying to coordinate these efforts with regard to exports?

And how is that going? What difficulties bumps have you experiencing along the way?

Mr. GARTEN. I think your premise is right. The Commerce Department, is the Administration's coordinator for export promotion. To this end, the President created the Trade Promotion Coordinating Committee, which Secretary Brown chairs at the Cabinet level and I chair at the sub-cabinet level.

Mr. MOLLOHAN. And you have the responsibility for actually facilitating this activity?

UNIFIED EXPORT BUDGET

Mr. GARTEN. Yes. Let me characterize it this way. I think we made a lot of progress in the last six months since we started. I think the main areas of progress have been in trade finance, export controls, government support of American bids abroad, and in developing a strategic focus on certain countries' Big Emerging Mar-

kets, and lately on major sectors. We have a few areas where we need to make a lot more progress a lot faster. One of these is in what I call the unified export budget.

A lot of money spent in the Federal government for export promotion is aimed at many targets. It comes through different programs and different channels and for different purposes. I think that given the pressure on our budgets, we need to streamline the process by looking at it and trying to rationalize and prioritize it. That is an area where we need to make a lot more progress.

Mr. MOLLOHAN. What is a unified export budget?

Mr. GARTEN. A unified export budget would enable me to say to you, here is a crosscut of the Federal budget when it comes to export promotion.

Mr. MOLLOHAN. When you say unified, what do you mean by that? How would it be unified?

Mr. GARTEN. Unified in the sense that the Trade Promotion Coordinating Committee, the National Security Council, or even the Cabinet, could look at the budget and say where we should go with export promotion, where we would like to move money from, whether we think that money spent for purpose X has outlasted its usefulness so we should move it to purpose Y. And so we need the analytical tools to do that.

Mr. MOLLOHAN. So you would be trying to assess duplication of efforts.

Mr. GARTEN. Yes, and effectiveness.

Mr. MOLLOHAN. Of initiatives that were maybe dated and trying to focus resources to emerging challenges?

Mr. GARTEN. Exactly.

Mr. MOLLOHAN. So you are talking about an entity that would have the authority to do that? Wouldn't OMB have the authority to do that?

Mr. GARTEN. Well, it could be OMB. It is just that crosscut doesn't exist right now. The first stage, as you can imagine, is just to ferret out where all this money is spent, program-by-program.

Mr. MOLLOHAN. And you are undertaking that?

Mr. GARTEN. Yes, we are.

Mr. MOLLOHAN. Have you done that analysis already?

Mr. GARTEN. Well, we have in the 1995 budget. There is a preliminary picture of how money is being spent.

Mr. MOLLOHAN. What does that mean?

Mr. GARTEN. In the budget that the President proposed.

Mr. MOLLOHAN. How is that picture manifesting itself?

Mr. NEUSCHATZ. The appendix to the 1995 budget displays that.

Mr. MOLLOHAN. That does the cross-references?

Mr. NEUSCHATZ. Yes, sir.

Mr. MOLLOHAN. And have you acted on that with any recommendations?

Mr. GARTEN. No, we haven't yet.

Mr. MOLLOHAN. It is simply a statement of where these dollars are spent?

Mr. GARTEN. It is a picture, because the next step, the tougher one, is to have the courage to say you should move from X to Y.

Mr. MOLLOHAN. Which you have, that is why you have been given this job.

Mr. GARTEN. Even before that, you have to assess. I don't want to name any agencies, but let's talk about agency X.

Mr. MOLLOHAN. I am going to ask you to name some. No, really.

Mr. GARTEN. Okay. Then I will name them all. Agency X spends \$500 on a program and the question is, what is that program worth? Agency X says, look, there is a lot more than exporting in this. We have got relationships with customers, this buys us a lot more. But from the trade and the export promotion standpoint, somebody has got to say that is fine, but that money spent by agency Y will generate 5,000 jobs. Then it is up to the Administration, and OMB is the logical place as far as I am concerned, in its recommendation to the Congress, to say that we want to expand the budget of agency Y and we are taking it from agency X, and here is why.

Mr. MOLLOHAN. Are you developing that criteria that will make those discriminations?

Mr. GARTEN. We are.

Mr. MOLLOHAN. Is it developed?

Mr. GARTEN. No.

Mr. MOLLOHAN. How far along are you in developing that?

Mr. GARTEN. Not too far.

Mr. MOLLOHAN. And who is doing that? Is that your responsibility?

Mr. GARTEN. Ultimately it will be Secretary Brown's responsibility, and I will play a major role.

Mr. MOLLOHAN. Well, I understand, but at the operative level, are you being given responsibility for coming up with that criteria?

Mr. GARTEN. I will, right.

COORDINATION WITH OTHER AGENCIES

Mr. MOLLOHAN. Okay. What agencies are particularly cooperative in this process? That is a fair question.

Mr. GARTEN. It is a fair question.

Mr. NEUSCHATZ. It is the answer that is troubling.

Mr. GARTEN. It is a fair question. I am just mulling the answer. We haven't gotten to the stage where we have asked agencies to transfer significant amounts of funds to other agencies. We have had some experience in asking some to transfer small amounts for purposes that we have already agreed upon by the Cabinet. I will give you an example. We do feasibility studies abroad.

Let's say that you are a foreign government, you are going to have a telecommunications project. You are not sure how it should work. You need some money for a feasibility study. If you go to our agency, called Trade Development Agency, and they do the feasibility study, odds are that an American firm will get the contract, because the feasibility study would be done in such a way that specifications and everything would be geared towards American firms.

You go to a Japanese company, the thing will be Japanese. So these feasibility studies are very important. We have one agency in the government that specializes in that, but we have a lot of agencies that do it.

The National Export Strategy recommended that all feasibility studies be concentrated, be transferred so there is one agency that does it. This has not been easy to do, even with the imprimatur of

the Administration to do it. I think we will succeed, but the fact is that as Under Secretary I am not sure that I can make that happen. I think that we are talking—at least in the initial stages—about a level of persuasion that will require Cabinet level action.

I only mention that as an indication that if your inference is, is this going to be tough? Yes.

Mr. MOLLOHAN. Actually, I guess I assume it is going to be tough.

Mr. GARTEN. It is going to be very tough.

Mr. MOLLOHAN. That is intuitive actually. But my question is whether or not you are going to get it done. We are working on the discretionary part of the appropriations process, and we are dealing with scarcer and scarcer resources. When the pie gets smaller, the demand gets greater. And so if you are involved in a process where you start with a premise that efficiencies can be brought to bear here and we will receive policy benefits due to a coordination of efforts, then this is something we should know about—sooner rather than later so that we can. Perhaps help through the appropriations process. We are very interested in coordinating activities between agencies and are very appreciative of the Vice President's efforts in this regard. I think it is fair to say that we take them as seriously as the Executive Branch does. When do you think you would be completed with your analysis in order to make recommendations? Evidently not for fiscal year 1995. Certainly for 1996?

Mr. GARTEN. My hope is that we will be in a position to make it for the next go round.

Mr. MOLLOHAN. Is that a real goal?

Mr. GARTEN. Oh, yes, that is a goal. That is definitely a goal. Now, I don't believe this will be done in one swoop, but I know it is a goal that for the next budget, the Administration will make some significant recommendations in terms of budget reallocations for export promotion.

RELATIONSHIP WITH THE PRIVATE SECTOR

Mr. MOLLOHAN. Okay, great. There is considerable discussion about increasing the Government's interaction with the private sector in regards to trade promotion. ITA has a lot of that responsibility, too. What are you doing to create these new relationships with the private sector and how is that going?

Mr. GARTEN. As a general matter the Administration is working much more closely with the private sector across the board. I think one of the great examples is in the technology area where there is an increasing number of Federal-private partnerships. When it comes to export promotion, we look at this in several ways. One is, we have gone to tremendous lengths to work with the private sector in developing the National Export Strategy. Those recommendations that were made last September were based on literally thousands of interviews with people from all over the private sector.

Secondly, in the area of advocacy, I think we have broken new ground in terms of the extent to which government officials have gone to bat for American firms abroad. Just to take an anecdotal example, certainly Secretary Brown has done a tremendous

amount of this and with very, very big ticket items. Several of the other members of the Cabinet have, too. But it goes beyond that.

As I mentioned, I just spent two weeks in Asia, and I had a list of \$12 billion worth of projects that American firms were bidding on. In every one of these cases I met with the firms before I traveled to these countries and I spent time with the foreign governments lobbying on behalf of these firms.

I came back and sent letters to the foreign governments so that the U.S. and Foreign Commercial Service, which works for me, would intervene. So on a very tangible level, we are pushing exports and sales on behalf of American firms. We are in the process of developing an even broader program of sharing information. We are going to do this not only through the Export Assistance Centers that I mentioned, but through the district offices of the U.S. and Foreign Commercial Service as well. I think that in a huge country, with a huge number of firms, success begets success. As more and more people and more and more companies realize that there is such a thing as a National Export Strategy exists, the requests for information, and explanations will rise exponentially.

And we are doing our best to keep up with that, but I am hoping that when we look back a couple of years from now we will see a very dramatic change in the relationship between the public and private sector when it comes to exporting.

INTRA-AGENCY COORDINATION

Mr. MOLLOHAN. I believe Mr. Moran was talking a little bit about export strategies and your focus on emerging market and emerging sectors, I guess that is referring to your BEMs and BESs approach. Is that a change in the way your International Economic Policy Office and your Trade Development Offices are interrelating?

Mr. GARTEN. This, in my view, is a very, very important focus. We say Big Emerging Markets to signify that American economic interests are not just with the traditional trading partners, Europe and Japan, but that the world is changing very rapidly and that the Chinas, Indonesias and Mexicos of the world are, if you want to look at it just in commercial terms, where the major growth is going to occur.

It will not occur in the industrialized world, and these are the markets that are particularly ripe for American firms. If you look at what these countries need, it is precisely what we can supply. It is telecommunications, it is transportation, it is health care services, it is medical equipment, it is financial services. And so it makes a lot of sense to have this future orientation and for manageability, we talk about big emerging markets and we are talking about ten now. There may be more in the future, that is not so significant, but that theme is running throughout the International Trade Administration now and it is a mechanism also to have a coordinated focus and a coordinated policy.

Likewise, in the Big Emerging Sectors, we cover a lot of sectors and we are not going to drop our focus on any of the traditional ones. But as a matter of something new, we really want to focus on the future. In my view, looking at it from the private sector, where I have been for a long time, the Commerce Department was

heavily identified with industries that were having problems. And if the industries were having problems, we should be working on their behalf, but there is a whole other set that includes industries of the future where there is unrestrained growth and exploiting foreign opportunities. That is why we call them Big Emerging Sectors. That, too, is a theme and it is this matrix, Big Emerging Markets and Big Emerging Sectors, that is a very, important way of looking at export promotion.

It isn't the whole thing, but it is a good starting point. In ITA there are close to 2,500 people. It is very, very important that we be on the same wavelength. Also, it is not just ITA. I believe that the Administration is in concurrence. We didn't just pull this Big Emerging Markets out of the air. We have presented it all over the Administration and have gotten tremendous support. I think as a matter of trade policy and commercial policy, you will hear a lot more about this in the next couple years.

Mr. MOLLOHAN. It is different in the sense that it is more strategic in nature?

Mr. GARTEN. It is strategic, it is future-oriented, and it is real. I mean it is not——

EMERGING MARKETS AND SECTORS

Mr. MOLLOHAN. It is today and tomorrow.

You mentioned some of the markets. And likewise, I guess you have a list for the sectors, too. What are the top three on your list of however many? Or just examples.

Mr. GARTEN. Let me give you a couple of examples.

Mr. MOLLOHAN. Give me your list of the ones you think have the greatest potential that you are working on.

Mr. GARTEN. Okay. There are ten. Of the ten, if I had to pick, I would say four in Asia and three in Latin America represent the greatest opportunities. Korea, South——

Mr. MOLLOHAN. Those are markets, as I understand it. I was talking about the sectors.

Mr. GARTEN. Oh, the sectors, okay.

Mr. MOLLOHAN. But I will be interested in the markets. Go ahead, list the markets.

Mr. GARTEN. All right. Four in Asia are South Korea, what we call the Chinese economic area, which is China, Hong Kong and Taiwan together, Indonesia and India. In Latin America, Mexico, Brazil and Argentina, so I would say those seven comprise the overwhelming amount of the ten, but the ten together will account for 40 percent of the increase in world trade over the next 20 years.

Mr. MOLLOHAN. What about sectors?

Mr. GARTEN. Sectors, let me just preface this so there is no misunderstanding. There is a bit of work in progress and also these are not meant to be exclusive.

Mr. MOLLOHAN. I understand.

Mr. GARTEN. Okay.

Mr. MOLLOHAN. It is not a trick question.

Mr. GARTEN. It is not industrial policy. Information technologies including telecommunications, computers and software.

Mr. MOLLOHAN. Hardware and software?

Mr. GARTEN. Right. Let's call it the information technology cluster.

Mr. MOLLOHAN. Right. That is number one?

Mr. GARTEN. That is number one. The transportation cluster, including aerospace and automotive. And by automotive, I mean not just vehicles, but auto parts.

Mr. MOLLOHAN. But to include vehicles, too?

Mr. GARTEN. Yes. I want to make sure it is acknowledged that it includes auto parts, as well as vehicles. Health care technologies, which includes health care services and medical technology, electric power generation. Look at Asia and Latin America, the need for this kind of energy is off the charts.

Mr. MOLLOHAN. Is that exporting our technology to build?

Mr. GARTEN. Yes, to build and manage.

Mr. MOLLOHAN. Natural resource folks might have some concerns about that one.

Mr. GARTEN. Financial services, and I think I left one out. Yes, environmental technology.

Mr. MOLLOHAN. Is there paper on this?

Mr. GARTEN. The big emerging markets, yes. We are still analyzing the sectors.

Mr. MOLLOHAN. When do you plan to have that out?

Mr. GARTEN. By June.

Mr. MOLLOHAN. Thank you, Mr. Chairman. Thank you very much.

Mr. MORAN. Thank you Mr. Mollohan.

Mr. Rogers, did you have further questions?

COAL EXPORTS

Mr. ROGERS. I thank you, Mr. Chairman. I didn't hear you mention West Virginia or Kentucky coal in that list of ten.

You know, we lost \$1.1 billion last year in coal exports. We fell about 27 percent last year. Do you have a plan to help increase coal exports?

Mr. GARTEN. We have continued to make significant efforts in promoting coal exports.

Mr. ROGERS. Well, I would be interested to hear about it. Maybe you could give us a written summary, for the record, of what you are doing to promote coal exports. Because it is one of the chief exports of this country and it fell by 27 percent—I don't know anything that fell by 27 percent last year, do you, a market sector?

Mr. GARTEN. I am not aware.

EFFORTS IN CALIFORNIA

Mr. ROGERS. No, I don't think anything fell more than U.S. coal, in its exports, and there is a burgeoning market particularly in Southeast Asia. I don't know of anything in here in this TPCC report to help coal. But I see on page 20 the California initiative. And I was trying to find the Virginia and the West Virginia and Kentucky initiatives.

Can you tell me what page they are on?

Mr. MORAN. I didn't find them either, Mr. Rogers, actually.

Mr. ROGERS. What page would they be on?

Mr. GARTEN. I don't think they are there.

Mr. ROGERS. As a matter of fact, the only State in the Union mentioned in this long, laborious TPCC report is the California initiative. Now, how in the dickens did a State get to where they get special mention in this report?

Mr. MORAN. Just taking a random sample on this committee, I don't know, would you put California as the first priority?

Mr. Mollohan.

Mr. ROGERS. Can you tell me how California was able to make this exclusive list, that they have got their own initiative that you are going to do for them? How come?

Mr. MORAN. That was a rhetorical question?

Mr. ROGERS. No, no, it is a very direct, literal question, requesting a literal answer.

Mr. GARTEN. To my knowledge, there is no West Virginia or Kentucky or Virginia initiative.

Mr. ROGERS. But why is there a California initiative? Partly, I am joking, but seriously, why is there a California initiative? Why single out that one State? I am sure that on the West Coast, obviously, California occupies a large part of it. Washington and Oregon are out there, too, and there is no mention of anything on the East Coast.

Why would California be given a special initiative? You are going to focus apparently a lot of effort on promoting California exports.

Mr. GARTEN. I am not going to try to give you a fancy answer on this. California is extremely important to the Administration for a lot of reasons, including the fact that it was very badly hit by the defense wind-down, and in a lot of our export strategy we are using the concept of pilot programs and models. If we can create exports from California where they don't exist, we will certainly use those techniques elsewhere.

Mr. ROGERS. Well, I don't want you to get the idea that California is the only state suffering.

Mr. GARTEN. I understand.

Mr. ROGERS. And frankly, while California was riding high with all of that defense spending all these years, a lot of the rest of the country was suffering through bad times for the last 30, 40 years. And while I feel sorry for California's plight at this moment, I don't want us to get the idea that they are alone suffering.

And yet, for the past few weeks, we have heard from witness after witness about what the Commerce Department is going to do for California—we are going to do this in California, we are going to do that for high tech, we are going to do this for defense conversion, and so forth. And, I am afraid the country is going to tilt and we are all going to fall into the Pacific Ocean over the San Andreas Fault.

So where are you going to get the money for the California initiative?

Mr. GARTEN. Well, we haven't requested any additional funds for the California initiative.

Mr. ROGERS. Well, isn't it going to cost anything?

Mr. GARTEN. I can't tell you whether it will or not. At this stage, a good part of the California initiative is focusing a lot of programs that already exist in California and in working with California firms. When I went to Asia, for example, I took the Lieutenant

Governor of California with me. He went at his expense. So we don't see this as a major budgetary item. It is just that a lot of the things that we do will have a California focus.

Mr. ROGERS. Well, you got to be focusing some staff, additional staff on the California initiative.

Mr. GARTEN. We are planning to have two additional U.S. and FCS employees. I believe they are existing people but they are going to focus on California.

Mr. ROGERS. So the California initiative is two people?

Mr. GARTEN. No, no, it is much more than that.

Mr. ROGERS. Well, what is it?

Mr. GARTEN. For example, Secretary Brown spends lot of time in California.

Mr. ROGERS. I have noticed that.

What else?

Mr. GARTEN. We have, I believe, I am not sure about this, but in our technology promotion programs, which don't necessarily fall into the trade promotion category, there is clearly an emphasis on California.

Mr. ROGERS. Well, I want you to detail for me for the record later and submit it to us, I want to know what kind of resources are being put into the California initiative, where they are coming from, and how it affects all the rest of us. We are just as desperate for exports in Kentucky as in California, and I would hope that you would understand that.

Mr. GARTEN. I do.

[The information follows:]

RESOURCES ALLOCATED TO THE CALIFORNIA INITIATIVE

The U.S. & Foreign Commercial Service (US&FCS) unit of the International Trade Administration allocates its domestic field resources based on a matrix which takes into consideration a number of different factors including the state's manufacturing base, export potential, size of firms in the state and size of the state's services industry. We use the matrix as a starting point, adjusting the allocations for factors that cannot be covered by any model. California, due in part to its proximity to Mexico and the Asian-Pacific Region, is at the top of the matrix—California's exports exceed those of any other state in the country. In California, and throughout the country, the Department of Commerce is in the process of implementing a number of initiatives including, Export Mexico, the opening of pilot U.S. Export Assistance Centers ((USEACs), and Defense Conversion. Because these initiatives involve trade and competitiveness, US&FCS has been central to supporting these efforts.

In an effort to allocate our resources in an effective and equitable manner across the country, and in keeping with the resource allocation matrix, US&FCS has slightly increased staffing levels in California to support these new initiatives. US&FCS has staffed four existing full time positions that had been unfilled—a Defense Conversion Specialist has been added to both the Los Angeles district office and Santa Clara branch office, an Export Mexico Specialist has been added in San Diego and a management Analyst has been added to the San Francisco office. These positions had been authorized but not previously funded. In addition, approximately \$40,000 has been expended to support these activities, above and beyond previous operating budgets. No other state or region was adversely effected.

US&FCS is currently seeking to establish partnerships with its commerce counterparts, i.e., the National Institute of Standards and Technology (NIST) and the Economic Development Administration (EDA), and the state of California, to leverage their resources to support these types of initiatives

Mr. ROGERS. I don't want to be anti-California here, but I do resent the special emphasis that one State is being given, to the detriment, in my opinion, of the others. Because you cannot do a California initiative with more new money unless you take some re-

sources from the rest of us to do that. And I want to know what kind of resources you are taking away and what the California initiative stands for in detail.

ENVIRONMENTAL TECHNOLOGIES INITIATIVE

And by the way, your environmental technologies push is fine, and it just so happens most of that comes out of California; does it not?

Mr. GARTEN. No, I don't think so.

Mr. ROGERS. Well, add in Texas and Massachusetts, then, and that is about it; isn't it?

Mr. GARTEN. I don't think that is right. We are looking at promoting environmental technologies and this is an industry with many small firms around the country. I can't tell you exactly where they fall out, but certainly it was not designed with the notion that we are going to favor one, two States or three States.

Mr. ROGERS. But it would favor a defense conversion area, probably; wouldn't it?

Mr. GARTEN. I am not sure.

CIMS

Mr. ROGERS. Okay. Now, do I understand that you are proposing to cut the CIMS, the Commercial Information Management System, by almost \$2 million?

Mr. GARTEN. Well, the reason that we are decreasing funding is that, in our view, this system is completed; it doesn't need further development.

Mr. ROGERS. Is it installed in all the overseas and domestic centers?

Mr. NEUSCHATZ. It is installed in all domestic offices right now, sir. We are in the process of installing worldwide. We are finishing up the last few most remote locations worldwide. It will be installed probably in at least 80 percent of U.S. and FCS posts worldwide by the end of this fiscal year. And we are already in all domestic offices.

Mr. ROGERS. Do all the sites now have the National Trade Data Bank?

Mr. NEUSCHATZ. Yes, sir.

Mr. ROGERS. Even in the foreign sites?

Mr. NEUSCHATZ. Yes, sir. That is available on CD-ROM.

Mr. ROGERS. So you are telling me you will be hooked up and operating in 80 percent of our trading partners in the world?

Mr. NEUSCHATZ. That is right, sir, by the end of this fiscal year. It is being installed now and training is going on.

Mr. ROGERS. Now, for those that may not know, that is this computer data link that we have with all the embassies; isn't it?

Mr. NEUSCHATZ. Yes, sir.

Mr. ROGERS. And a lot of us think, and I think you agree, that is absolutely vital to the new information superhighway to bring the trade market together through computers worldwide, which we all want to plug into. Now, this \$2 million cut for CIMS will not in any fashion affect the operability of the system?

Mr. NEUSCHATZ. No, sir. The funding for CIMS had been spiked up for the last several years to provide for the purchase of the

hardware and the training which is a very expensive item, sending people around the world to train people. So as we have now spiked it up to provide for that, we are now bringing it back down to just a maintenance level.

Mr. ROGERS. Well, we spent a great number of years in this subcommittee providing funding to build the system. We don't want to see it diminished in any form or fashion. Do I have your assurance on that?

Mr. NEUSCHATZ. Yes, sir.

Mr. ROGERS. Okay.

Thank you, Mr. Chairman.

Mr. MORAN. Thank you, Mr. Rogers.

I think that will conclude the hearing for the International Trade Administration.

We thank you very much, Mr. Under Secretary, your staff. And good luck with all these new initiatives.

[The following questions were submitted to be responded to for the record:]

INTERNATIONAL TRADE ADMINISTRATION

Questions Submitted by Congressman Smith

Trade Promotion Coordinating Committee

QUESTION:

The first report to Congress of the Trade Promotion Coordinating Committee (TPCC) was submitted on September 30, 1993. What is the status of implementation of the recommendations made by that report?

ANSWER:

Please see the attached report: Implementation of the National Export Strategy Year end Report to the President, December 31, 1993.

QUESTION:

One of the proposals of the TPCC report was to create better coordination of export promotion in American embassies abroad by creating "mini" TPCCs. What is the status of this initiative, and do you consider this initiative to be a success?

ANSWER:

In order to better coordinate export promotion services offered by American embassies abroad, the overseas missions have developed Country Commercial Strategic Plans which will strengthen overseas export promotion services by ensuring that there is a coordinated interagency approach to commercial planning; that all embassy officers understand the top priority attached to export growth; that the Country Team's resources are appropriately marshalled in order to pursue our trade objectives; and that information collection, advocacy, leveraging, and matching of US suppliers and foreign buyers is improved.

In addition to the development of a Country Commercial Strategic Plan, missions have been tasked to develop performance measurements to help analyze results and incorporate lessons learned into the next year's planning cycle. To date, we have received most of the posts' Country Commercial Strategic Plans. A TPCC working Group will soon be in the process of developing an interagency system for establishing a performance measurement system.

The response from our posts overseas has been overwhelmingly positive, and Ambassador Perkins from Australia has sent Secretary Brown a letter supporting and congratulating the TPCC on its efforts to date.

QUESTION:

There was some concern expressed by other agencies as to whether or not DOC, through the US&FCS, would have the lead in implementing this initiative in Embassies overseas. Have these concerns been addressed? Have these concerns created any problems in implementing the TPCC recommendations?

ANSWER:

In most cases, US&FCS has provided the impetus for, and coordinated, the commercial efforts of embassy teams, under ambassadorial leadership. Illustrative of the US&FCS leadership role is the recent Strategic Commercial Planning (SCP) process concluded by embassies worldwide. Working closely with embassy colleagues, US&FCS officers coordinated the country commercial team around the development of this plan. This collaborative inter-agency process will be furthered with the development of the Country Commercial Guide, a streamlined compilation of commercial information to be generated by each Embassy.

As the chair of the TPCC, Secretary Brown and his Department have assumed a lead role in implementing TPCC recommendations domestically and overseas. The inter-agency nature of the TPCC has enabled close dialogue and coordination among the 19 agencies involved in developing and implementing these recommendations. The TPCC philosophy recognizes that valuable commercial support can be added by other USG agencies and the importance of focusing these agencies on a commercial agenda.

QUESTION:

Are you familiar with the other TPCC member's budget requests for FY 1995?

- What is the total amount being requested for export promotion in the President's FY 1995 budget request? Please provide detail for the record, by Department or agency, compared to the amounts provided in FY 1994 and spent in FY 1993.

ANSWER:

The President's FY 95 budget submission contained the first-ever budget cross-cut for federal export promotion. It detailed the expenditure of resources across the ten principal agencies involved in this activity over the last three fiscal years (please see pages 149-153 of the President's budget proposal).

The proposed FY 95 budget authority for export promotion programs totaled \$3,358 million, a decrease of 13% from the FY 94 appropriated level. The TPCC is currently working on a companion document that will provide further analysis of export promotion funding.

QUESTION:

Has the TPCC considered a review of the automation and communications systems currently used by the various agencies and departments involved in trade promotion activities? Are there any problems with communicating across agencies now, and are options being considered which would alleviate those problems?

ANSWER:

The TPCC has not conducted a detailed review of automation and communication systems currently in use by TPCC member agencies. However, ITA's Office of Information Resources Management (OIRM) has investigated the interagency electronic mail capability of the TPCC agencies in conjunction with ITA's participation in the Interagency Electronic Mail Users Working Group (IAEMUWG). This working group was formed under the auspices of the NPR and is charged with promoting government-wide communications via electronic mail.

TPCC offices within Commerce are connected to Local Area Networks (LANs), which will give them the capability to exchange electronic mail with other government agencies. However, not all TPCC agencies have a similar capability. Those that do, do not necessarily have it for each person and office within the agency. Therefore, the potential for exchanging e-mail among TPCC partners is limited at this time. However, most agencies are in the process of implementing this capability, as part of the government-wide e-mail project. As soon as member agencies are "on-line", e-mail should become a primary means of communicating and sharing information.

Dusseldorf Consulate

QUESTION:

I understand that the U.S. Ambassador to Germany intends to reopen the U.S. consulate in Dusseldorf and appoint a Foreign Commercial Service officer as the Consul General there. Could you update us on the status of this decision?

ANSWER:

US&FCS is currently awaiting formal State Department approval to re-open the Dusseldorf Consulate General. In anticipation, the US&FCS is working to identify a Foreign

Commercial Service Officer of high caliber and experience for this posting as Consul General. We are excited about this new opportunity to lead the U.S. consulate in this major European commercial center.

QUESTION:

Have you included funds in this budget request to accommodate any additional costs for the FCS resulting from this action? What are the anticipated costs?

ANSWER:

No request was included in our FY 1995 budget request for Dusseldorf. US&FCS will have to absorb its costs associated with State's re-opening of the Dusseldorf consulate out of existing FY 1994 funding.

We are currently discussing funding and other implementation issues with the State Department. We as yet have no agreed upon figures, but anticipate a cost to the US&FCS of well under \$200,000. US&FCS already has an office in Dusseldorf staffed with Foreign Service Nationals. This staff will be incorporated into the re-opened consulate.

Impact of Rescission

QUESTION:

In the efforts to provide offsets for the recent emergency supplemental for the Los Angeles earthquake, Congress took a \$2 million rescission from the carryover balances of ITA. What has been the impact of that rescission? What specific items will the ITA not be able to fund in FY 1994 as a result of the rescission?

ANSWER:

The primary use of the carryover funds in question would have been for the NAFTA Secretariat. This is a required function under the recently enacted NAFTA agreement. Since these funds have been rescinded, ITA will have to redirect funds from other sources to operate the Secretariat.

ITA is on the front line of providing support and assistance to U.S. exporting businesses and support to market-opening trade negotiations. These efforts will also be affected by a redirection of \$2 million. Specifically, this redirection will have the following impacts:

- Efforts underway to strengthen advocacy support, in response to TPCC priorities, will be limited. ITA's plans to establish a center for directing and coordinating advocacy activities could be scaled back.

- ITA may need to defer its program to streamline the AD/CVD review process by making greater use of new technologies such as image processing.
- ITA may need to defer hiring and deployment of as many as 10-20 foreign field officers slated for Japan and Big Emerging Markets such as China, Korea, Mexico, and Turkey. The enhanced exporter support in these markets envisioned and prescribed by the TPCC would be severely limited.

Tied Aid

QUESTION:

In the hearing with the U.S. Trade Representative last week, we discussed the Tied Aid program recommended by the TPCC. Could you tell us more about the Tied Aid program and the rationale for the FY 1995 budget request for Tied Aid?

ANSWER:

In 1993, the major industrialized nations issued a total of some \$7 billion in tied aid credits, some of which was used as a credit subsidy to compete against, and defeat, potential U.S. exports. The United States has long opposed commercially-motivated tied aid and has led international negotiations to adopt mutual restraints on the use of tied aid. Despite the U.S. Government's best efforts, however, exporters testify that lack of tied aid credits remains as the single greatest gap in U.S. financing for exports.

To address exporter concerns, President Clinton approved creation of a \$150 million Tied Aid Capital Projects Fund that will both promote U.S. exports pro-actively as well as continue U.S. efforts to curb the practice. Eximbank has drafted operating modalities for the Fund, has obtained comments from other agencies and from the exporting community, and has conducted some informal testing of how the guidelines might work in actual cases.

Eximbank's Fund will draw upon \$150 million in 1995 resources. When combined with other resources, the Fund will leverage well over \$500 million in U.S. tied aid. Eximbank will issue tied aid credits aggressively to promote strategic U.S. sales in critical emerging markets, thereby maximizing overall U.S. export growth, and to create incentives for the rest of the world to stop relying on tied aid as a trade weapon.

QUESTION:

What amounts are included in ITA's FY 1995 budget for Tied Aid, and how specifically will these funds be used?

ANSWER:

While there is no funding in ITA's FY 1995 budget for Tied Aid, in the formulation of the President's budget, funds were contributed by all the relevant agencies in the support of this endeavor.

QUESTION:

Are you devoting funds to this initiative in FY 1994? If so, how much?

ANSWER:

ITA did not devote any FY 1994 funds to Eximbank's Tied Aid Capital Projects Fund. The decision to establish the Fund was made well after the initiation of the 1994 budget process.

One-Stop Shops for Export Assistance

QUESTION:

The Committee recently approved a reorganization providing for the establishment of four one-stop shops for export promotion. This initiative is being carried out along with the Small Business Administration and the Export-Import Bank. What is the status of the first four centers proposed in FY 1994?

ANSWER:

The four pilot "one-stop-shops", now known as U.S. Export Assistance Centers (USEACs), opened for business in Baltimore, MD; Chicago, IL; Long Beach, CA; and Miami, FL on January 31, 1994.

QUESTION:

What are your plans for continuing the program? Will you open additional centers in FY 1994? If so, where will these be located?

ANSWER:

The Trade Promotion Coordinating Committee (TPCC) recommended that DOC, EXIM and SBA open the four pilots, and, after evaluating the four pilot programs, that the agencies select and announce the next ten sites by June 1994. Current plans in the TPCC call for ten sites to open by CY 1995.

QUESTION:

How many centers do you intend to have in operation in FY 1995, and what amount is requested in this budget for this

initiative? What are your long-term goals for this program? Will you bring in additional agencies to participate in the one-stop trade assistance concept?

ANSWER:

The Trade Promotion Coordinating Committee (TPCC) report, "Toward a National Export Strategy," recommends opening ten additional centers by CY 1995. The long-term goal of the TPCC is to integrate the full US&FCS domestic network into a national USEAC network. Through this effort we will increase the efficiency of federal export promotion services by eliminating duplicative costs while expanding coverage. The USEAC concept rests on the co-location of federal resources, as well as the leveraging of resources with public-private and state/local partners. If the business community will benefit from the presence of other federal/state agencies in the future sites, and those agencies prove willing to join the project, then we will seek to foster those relationships (e.g. USAID in the Long Beach USEAC).

QUESTION:

What are the criteria for the one-stop shop program, and how will this program be evaluated?

ANSWER:

Quantitative measures provide us with an objective ranking of sites based on export potential, and qualitative factors, such as the existence of trade infrastructure (e.g. ports), provide the opportunity to leverage resources with state, local and private partners. The presence of the DOC, SBA and EXIM offices in the region, allow us to adjust the ranking to reflect cost and service efficiencies. We will evaluate the operation of the pilots against the strategic plans developed by each site, the TPCC principles of resource management and client service, quantitative performance measures and client surveys to ensure customer satisfaction. We will use the insight gained from the pilot programs to help determine the placement and design of future USEACs.

Status of Authorization

QUESTION:

What is the status of the authorization for all ITA programs for FY 1995? Is the Administration preparing a legislative proposal? If so, what changes will you be proposing?

ANSWER:

To date, the International Trade Administration's FY 1995 budget request for all programs has not yet been authorized and is currently pending in the Congressional budgetary cycle.

The Administration has identified various legislative proposals for the International Trade Administration to pursue in FY 1995. These proposals include:

Implementing Legislation for Uruguay Round Agreements

President Clinton had stated that the Uruguay Round negotiations was the single most important step that could be taken to open foreign markets around the world to U.S. manufactured goods services and agricultural products. Following the completion of the Uruguay Round negotiations in December, ITA has participated in drafting sessions dealing with the subsidies codes and the AD/CVD portions of the Round.

Representatives of ITA continue to be involved with the drafting of the Uruguay Round implementing legislation and have provided both technical advice and information pertaining to the intent of the agreement. ITA continues to provide information, both written and through oral briefings to key Congressional committees on the subsidies agreement. In addition, ITA is working in coordination with Congressional Committees and other U.S. Government agencies in preparation for hearings, testimony, and proposed briefings on the legislation. ITA is currently compiling a state-by-state trade assessment of GATT-related trade statistics and has published the "Uruguay Round Update." Similar efforts will continue throughout the implementation process.

Continuation of the Automotive Parts Advisory Committee (APAC)

Under the authority of "The Fair Trade in Auto Parts Act of 1988" (Title II, Subtitle A, Part II, Pub. L. No. 100-418), the Department of Commerce established an initiative to assist the U.S. auto parts industry to increase the sale of U.S.-made automotive parts to the Japanese automotive industry. An Automotive Parts Advisory Committee (APAC) was established to advise the Administration on U.S.-Japan auto parts trade issues. The authority under this law expired on December 31, 1993. The Department proposed legislation to extend the APAC. This proposal is part of the Foreign Aid Authorization Bill which passed the House and Senate, by voice vote, on April 28, 1994.

Maintaining and developing efforts to increase the sale of U.S.-made automotive parts to the Japanese is necessary to

continue and to enhance the progress made by the U.S. automotive parts industry. The Department has supported efforts to increase U.S. parts sales to the Japanese markets and to support APAC efforts, including the U.S.-Japan bilateral automotive framework negotiations, the MOSS Talks and the Market Oriented Cooperation Plans (MOCP). APAC's guidance and advice is an integral part of the Department's decision-making for all these matters.

The APAC meets several times a year to address and formulate positions on key industry issues that are presented through reports to Congress and the Administration, as well as to the Japanese government during high-level trade negotiations. The Secretary of Commerce uses industry reports from the APAC as the bases for reports to Congress on auto parts trade. The APAC has provided industry insight on the following Governmental efforts: the U.S.-Japan bilateral automotive framework negotiations, MOSS-MOCP activities, Foreign Trade Zones rules, Section 301, U.S. antidumping activities, Corporate Average Fuel Economy program, U.S. research assistance programs and investment incentives. The group also sponsored the University of Michigan's Report on the Bilateral Automotive Deficits.

Grant and Cooperative Agreement Authority

ITA has implemented three programs involving assistance for Eastern Europe and the Newly Independent States of the former Soviet Union (NIS) under which it makes grants or enters into cooperative agreements with private persons or firms. These programs are SABIT (Special American Business Internship Program), CABEE (Consortia of American Businesses in Eastern Europe), and CABNIS (Consortia of American Businesses in the Newly Independent States).

Repeal of Annual Report Requirement

Section 6 of the Federal Water Pollution Control Act (FWPCA) Amendments of 1977 requires the Secretary of Commerce to report to Congress, on an annual basis, international competitive disadvantages to U.S. industry imposed by far more stringent domestic environmental regulations. Thus far, most studies have not provided statistically significant data to indicate that the variations in degree of pollution control, across major trading nations, has caused economic damage to U.S. industry. The Section 6 study is not relevant at this time due to the rapidly changing international environmental situation. The Department intends to propose legislation that would repeal this annual reporting requirement.

Request to OMB

QUESTION:

What was your initial request to the Department and to OMB, what items were eliminated from those requests, and what will be the impact of those reductions on your ongoing operations? Please provide details for the record, if necessary.

ANSWER:

ITA's initial request submitted to the Department totalled \$284.7 million. Our submission to OMB totalled \$270.2 million.

Differences between the Departmental and OMB requests are as follows:

- Building American Market Share in the East Asia Pacific Region:
\$2.5 million in the Departmental request
Not included in the OMB request
- Post NAFTA Western Hemisphere Trade Liberalization:
\$0.5 million in the Departmental request
Not included in the OMB request
- Environmental Technologies:
\$6.6 million in the Departmental request
\$5.6 million in the OMB request and listed as Environmental Technologies Trade Expansion
- Support for Critical Growth Markets:
\$3.0 million in the Departmental request
Included within the Enhanced Global Network request in the OMB submission
- U.S.-Japan Economic Framework:
\$0.7 million in the Departmental request
Not included in the OMB request
- Enhanced Trade Finance Support:
\$1.5 million in the Departmental request
Included in the Enhanced Global Network request in the OMB submission
- Trade and Technology Integration Initiative:
\$4.3 million in the Departmental request
Not included in the OMB request

- Ensure Expanded Commercial Benefits from Multilateral Trade:
\$1.3 million in the Departmental request
Not included in the OMB request
- Physical Security:
\$2.1 million in the Departmental request
Not included in the OMB request
- Defense Conversion:
\$2.1 million in the Departmental request
Not included in the OMB request
- Trade Information System:
\$2.2 million in the Departmental request
\$0.9 million in the OMB request and listed as Trade Policy Information System
- Eastern Europe Business Information Center:
\$0.8 million in the Departmental request
Not included in the OMB request
- Increase of AD/CVD Program Resources:
\$3.0 million in the Departmental request
Not included in the OMB request
- Eurasia Market Opening Initiative:
\$0.3 million in the Departmental request
Not included in the OMB request
- Enhanced Global Network:
Not specifically stated in the Departmental request but related to Support for Critical Growth Markets, Enhanced Trade Finance Support, and Defense Conversion
\$15.3 million in the OMB request

Differences between the OMB submission and the President's Budget are:

- Enhanced Global Network:
\$15.3 million in the Departmental request
\$11.3 million in the President's Budget
- Environmental Technologies Trade Expansion:
\$5.6 million in the OMB request
\$4.1 million in the President's Budget
- Consortia of American Businesses in the Newly Independent States (CABNIS):
Not included as a decrease in the OMB request
\$1.6 million decrease in the President's Budget

- CIMS/NTDB, Office Automation, and Communications:
 Not included as decrease in the OMB request
 \$2.0 million decrease in the President's Budget

Additionally, the funding decrease associated with the Executive Order on FTE reduction increased from \$600 thousand in the Departmental request to \$789 thousand in both the OMB request and the President's Budget.

Status of Appointments

QUESTION:

What is the status of appointments to the various management positions in ITA?

ANSWER:

The following lists the current status of appointments to ITA management positions:

PAS Positions:

Filled

Under Secretary
 Assistant Secretary for Import Administration
 Assistant Secretary for International Economic Policy

Appointments Pending

Assistant Secretary for Trade Development
 Assistant Secretary and Director General for U.S. & Foreign
 Commercial Service

Non-Career SES:

Filled

Deputy Under Secretary for International Trade Policy
 Development
 Counselor to the Department
 Deputy Assistant Secretary for US&FCS
 Deputy Assistant Secretary, Domestic Operations, US&FCS
 Deputy Assistant Secretary for Trade Development
 Director, Office of Export Promotion Coordination
 Deputy Assistant Secretary, Technology & Aerospace
 Industries, TD
 Deputy Assistant Secretary, Service Industries & Finance,
 TD
 Deputy Assistant Secretary, Basic Industries, TD
 Deputy Assistant Secretary, Textiles, Apparel & Consumer
 Goods, TD
 Deputy Assistant Secretary, Environmental Technologies
 Exports, TD
 Deputy Assistant Secretary for Import Administration
 Deputy Assistant Secretary for Investigations, IA
 Deputy Assistant Secretary for East Asia and the Pacific,
 IEP

Vacant

Deputy Assistant Secretary for International Economic Policy

Deputy Assistant Secretary for Africa, Near East, South Asia, IEP

Director, Office of Export Trading Company Affairs, TD
DAS for Export Promotion Services, US&FCS

Career SES:

Filled 19

Vacant 0

Administrative and FTE Reductions

QUESTION:

How has ITA been affected by the President's executive orders on administrative and FTE reductions, and what is the impact of these reductions on your ongoing operations?

ANSWER:

ITA was reduced by \$789 thousand as a result of the President's executive order on Administrative savings. A reduction of \$2.029 million and 36 FTE was taken for the FTE savings executive order.

These reductions have limited our ability to increase advocacy support. They also reduced our ability to hire and deploy foreign field officers needed in critical growth markets abroad. Finally, we cut our participation in a cooperative education program for college students, from 22 FTE down to 11 FTE.

U.S. and Foreign Commercial Service

QUESTION:

You are requesting an increase of \$11.3 million and 12 FTE for the Enhanced Global Network initiative. Please tell the Committee more about this proposal. How is this concept different from your existing method of doing business at ITA?

ANSWER:

It differs from our existing method of doing business in several ways. First, it is much more focused. It reflects a coherent USG strategic vision that allocates new resources consistent with geographic and sectorial priorities (e.g. big emerging markets, primarily in East Asia and Latin America; big emerging sectors, such as information services/telecommunications, environmental technologies, etc.). In addition, special projects of high priority will include Japan, Russia and South Africa.

Second, we are asking for a selective, targeted increase for our domestic field staff. This will add staff to offices which have large concentrations of small and medium-size firms making the transition from defense industry production, as well as offices which have firms which can most benefit from our increased presence in critical growth markets such as China and Indonesia. It has been some time since we asked for additional domestic resources which we believe are essential to the functioning of the US&FCS network as a whole.

Third, these activities reflect a new strategy of expanded cooperation within the department, as well as with our TPCC partners. For example, in implementing our domestic increase we plan to increase cooperative efforts with the National Institute of Standards and the Economic Development Agency.

Finally, this request also reflects TPCC and National Performance Review objectives for the elimination of overlap and duplication. Commerce is now the lead overseas agency in coordinating the collection of timely, accurate information for U.S. exporters of manufactured goods and services wherever Commerce is present. To meet this need, and do so cost effectively, a portion of our overseas request provides resources for a number of new FSN-only posts, in regions such as Africa, where US&FCS has only a minimal presence. Officers from our US&FCS posts in the region will provide supervision for these posts' research, trade contact and trade event activities. The TPCC also encouraged Commerce to spend more resources on training its officers and staff to equip them to respond effectively to U.S. exporters. This increase explicitly requests funding for this purpose. We had not identified training as an explicit need in past budget requests.

QUESTION:

Page 81 of your budget justifications indicates that you will "selectively augment" your domestic and overseas staff. Where would additional staff be placed, and what are the criteria for determining the placement of these increased resources? Please provide details for the record if unavailable at this time.

ANSWER:

In general, US&FCS resource allocation decisions are closely tied to the results of the US&FCS Overseas and Domestic Resource Allocation Models -- which assess relative export potential -- to get the most "bang-for-the-buck." Recently, the Overseas Model has been modified to reflect National Export Strategy recommendations in general, and new initiatives, such as our Big Emerging Markets (BEM). Options are being explored for similar modifications to the Domestic Model.

Overseas staff allocations reflect National Export Strategy recommendations to focus resources strategically. This includes reallocating existing resources: to regional arrangements where appropriate (e.g., Southern Africa, Nordic countries); to the Big Emerging Markets (e.g., East Asia/Pacific and Latin America); and to markets where there are few private sector or other alternatives to the business facilitation and support services provided by the US&FCS. Therefore, we plan to allocate the lion's share of increases in East Asia/Pacific and Latin American markets, while streamlining the US&FCS presence in European and Africa/Near East/South Asian markets by establishing regional hubs, providing a more efficient use of resources.

Domestically, specific staffing decisions are guided by the results of the Domestic Model (i.e., export potential) as well as considerations for an efficient distribution of resources in support of trade development, USG trade policy, and export promotion program delivery.

Defense Conversion Activities

QUESTION:

Part of your requested increase for US&FCS is targeted toward defense conversion activities. What is ITA's role in defense conversion efforts, and what is the relationship of ITA's efforts with those of the Economic Development Administration (EDA) and the Bureau of Export Administration (BXA) within the Department of Commerce?

ANSWER:

The major thrust of US&FCS defense conversion activities is to increase exports of U.S. firms making the transition from defense production to production and marketing of commercial products. At present, efforts include extensive cooperation with EDA and BXA.

Domestically, US&FCS cooperates with EDA, as well as other public/private entities, to support EDA-funded defense conversion assistance programs in local communities. This includes extensive work with defense firms that have developed new commercial products, or are in the process of doing so, to identify export markets and develop company-specific marketing strategies. US&FCS is also listed as a source of Federal assistance on EDA's Office of Economic Conversion Information electronic clearinghouse. Our relationship with BXA is complementary -- working with companies to ensure that export licensing requirements are understood and integrated into export marketing strategies.

Currently, the Office of Domestic Operations devotes two trade specialists full-time, in California, to the Defense Commercialization effort. If approved, our increase would permit us to place additional staff in up to six states

which have high concentrations of firms making the conversion. In addition, US&FCS overseas efforts will include the use of unfunded FTE or contract personnel to selectively augment overseas staff in up to three countries identified as the most promising markets for these firms.

QUESTION:

Your requested increase for this activity is \$1.5 million. Will you transfer any base resources for this initiative as well, and if so, from what programs will you transfer the funding?

ANSWER:

The US&FCS is not planning to transfer base resources, other than what is currently devoted to this activity.

CABNIS Grant Program

QUESTION:

You are proposing to terminate funding for the Consortia of American Businesses in the Newly Independent States (CABNIS) program. A total of 12 CABNIS consortia have been established with the funds provided to AID and the ITA since 1992. Why is the Administration proposing to eliminate this program in FY 1995?

ANSWER:

The Administration feels that the establishment of 12 consortia is sufficient at the current time and proposes that no new additional consortia be funded. ITA will evaluate the progress and success of the consortia and determine whether additional funding will be sought for FY 1996 and beyond.

QUESTION:

Where are these 12 consortia offices located, and what specific industries do these consortia represent?

ANSWER:

There are currently 9 CABNIS grantees operating with an additional 3 grants to be awarded during FY 1994.

Headquartered in Moscow, Russia:

- The American Building Products Export Council (and joint recipient, Home Builders Institute), Washington, D.C.
- The American Graduate School of International Management, Glendale, AZ (The consortium focuses on

environmental and natural resource management technologies.)

- Food Processing Machinery & Supplies Association, Alexandria, VA
- Semiconductor Equipment and Materials International, Mt. View, CA
- Telecommunications Industry Association, Washington, D.C.
- World Trade Center Association of Orange County, Irvine, CA
(The consortium assists the U.S. information systems industry.)
- The American-Russian Technology Association, New York, NY
(The consortium promotes U.S. electronics, particularly computers, semiconductor equipment devices and related production equipment.)

Headquartered in St. Petersburg, Russia:

- The Port Authority of New York & New Jersey, New York, NY
(The consortium office in St. Petersburg serves as a business training institute and trading company.)

Headquartered in Khabarovsk, Russia:

- World Trade Center Alaska/The University of Alaska, Anchorage, AK (The consortium will promote increased exports of member products to the NIS through the Russian Far East.)

Several grantees plan to establish satellite offices in Minsk, Belarus and Kiev, Ukraine, while others are exploring commercial opportunities in resource rich Central Asia.

QUESTION:

Do you consider the program to have been a success? On what criteria do you make that evaluation?

ANSWER:

Although still relatively new, based on progress report data, the CABNIS grantees have already facilitated an estimated \$9.3M in U.S. business, a value roughly double the Federal funds cost of the program. Through their offices in the NIS, CABNIS grantees provide consortia members and other interested U.S. firms with export facilitation services. Consortia staff also conduct commercial and educational activities to enhance private sector development.

U.S. firms benefit from working together in a consortium to enter the NIS markets. CABNIS consortia remove many of the

obstacles to exporting in the NIS for small and medium-sized firms. By pooling commercial expertise and other resources, companies that otherwise could not enter the market are able to gain a competitive foothold.

The following examples illustrate how CABNIS consortia are positioned to create commercial opportunities for their member firms. Such commercial opportunities might otherwise be inaccessible to U.S. firms without a regional presence.

The recent signing of a Memorandum of Understanding (MOU) between The American Graduate School of International Management ("Thunderbird"), a CABNIS grantee promoting U.S. environmental technology, and Russia's Green Cross organization is part of an effort to organize environmental clean-up projects. The MOU focuses on how American technology and services can be utilized.

The Telecommunications Industry Association (TIA) consortium is acting as a single voice in the NIS for U.S. member firms resulting in access to lucrative telecommunications opportunities. For example, the consortium is working with Russian officials on the 50x50 project (an effort to link 50 Russian cities with 50,000 kilometers of fiber-optic cable) and is seeking U.S. companies and public sector organizations that might be interested in participating.

The World Trade Center Association of Orange County, which represents U.S. information systems, focuses on marketing member products through technical demonstration seminars and trade shows. As a result of the consortium's efforts, a member firm recently experienced its two strongest sales quarters in the NIS; while another member will sign on at least four Russian distributors this spring in order to meet market demand for its products.

In FY 1994 ITA requested and received an increase in its appropriation to make an additional three CABNIS awards during FY 1994. These awards should be made in the fourth quarter.

Import Administration

QUESTION:

What (if any) new duties will the Import Administration (IA) be responsible for in light of the Framework agreement with Japan? Are resources requested in this budget to address these new duties?

ANSWER:

Import Administration has been involved to a limited extent in the U.S.-Japan Framework Agreement with respect to

machine tools. We anticipate our involvement to continue. If machine tools become a more active part of the Framework discussions, however, we would have to dedicate additional resources to complete any new duties effectively.

QUESTION:

What is the status of the backlog of Antidumping/countervailing duty cases in FY 1994? What are your projections for FY 1995?

ANSWER:

In the last several years, we have made significant progress in reducing the AD/CVD backlog of administrative reviews, scope inquiries, and billing protests. The number of backlogged reviews decreased from 210 in September 1990, to approximately 85 today. The scope backlog was eliminated in March 1992, but the number of backlogged scope inquiries has recently risen back to 8. Of the 656 backlogged protests in January 1992, 7 remain. In the short term, the backlog is likely to decrease; however, the long term outlook is less predictable. This is due primarily, though not exclusively, to four factors: resource constraints, administrative reviews of the steel orders, court remands resulting from already completed backlogged cases, and implementing legislation from the Uruguay Round.

-- Whereas IA has been able to hire a significant number of new analysts, and our recent acquisition of more powerful personal computing equipment reduces our reliance on costly mainframes, IA is still faced with resource constraints, particularly in light of planned government-wide FTE reductions.

-- The AD/CVD caseload continues to increase and may jump dramatically in August 1994 when the first opportunity to request administrative reviews of the 32 steel orders will occur. The requests could result in over 100 separate, additional company/product analyses.

-- Many analysts have also been required to address court remands which resulted from litigation associated with the completion of numerous previously backlogged reviews. These remands will most likely increase as we continue to eliminate our backlog.

-- Import Administration will also be heavily involved in the implementation of legislation resulting from the Uruguay Round of the GATT. This implementation will likely result in numerous "sunset" reviews which will further increase IA's overall workload.

Import Administration remains committed to virtually eliminating its backlog by the end of FY 1995, and the

outlook for the remainder of FY 1994 is very good. However, it is difficult to predict results for FY 1995 for the above-stated reasons. Whereas Import Administration's intensive efforts to eliminate the AD/CVD administrative review backlog have shown significant success, and continue to do so, many indefinite factors still remain which could cause IA to reallocate resources and, hence, fall short of its stated goal.

QUESTION:

What has been the impact of recent trade agreements -- NAFTA and GATT -- on IA's workload?

ANSWER:

The increase in IA's workload resulting from the implementation of NAFTA is likely to be modest. The primary increased burden will arise from an expected greater number of panel reviews of IA antidumping (AD) and countervailing duty (CVD) determinations, and will fall on the Chief Counsel's office and the IA resources which support such litigation activity.

There will, however, be a significant increase in IA's workload as a result of the new GATT Antidumping and Subsidy Codes which emerged from the Uruguay Round. Most significantly, the new requirement for "sunset" reviews, under which AD and CVD orders will expire after five years unless reviews determine that dumping margins/subsidies and injury are likely to continue or recur, will impose a great burden on IA. This will be most onerous as the approximately 400 existing orders become subject to reviews within five years after the new Codes take effect, but will continue as each new order reaches its fifth anniversary.

A number of other new provisions will add to the existing burden on IA. These include procedures relating to standing and requirements relating to expedited reviews of voluntary respondents. In addition, increased efforts will be required in connection with verification and monitoring of foreign subsidies.

Finally, the adoption of a binding dispute settlement mechanism for these Codes almost certainly will increase the frequency and number of GATT challenges to IA determinations and correspondingly increase the burden upon the Chief Counsel's office and the IA resources which support such dispute settlement processes. While it is impossible to quantify the overall effect such changes will have upon IA's workload, it is clear that the increased burden will be significant.

QUESTION:

What is the status of the Foreign Trade Zone (FTZ) program? Does IA have the responsibility to review FTZs and remove the FTZ designation? If so, what are the criteria for the review, and what actions would cause a change in status for FTZs?

ANSWER:

There are currently 195 FTZ projects (in 48 states), most of which are sponsored by port authorities and state and local government entities. These projects include 252 special-purpose subzones sites for manufacturing and processing activity. The main industries using zones for manufacturing are autos, shipyards, oil refineries, computer and office equipment, pharmaceuticals, and food products (export). Over 80 percent of subzones are at plants owned by U.S. companies.

Merchandise shipments into zones increased in FY 1992 to \$93.8 billion (\$90.1 billion in FY 1990). Almost 80 percent of the merchandise was domestic (\$73.5 billion). Foreign status merchandise increased to \$20.3 billion (\$19.4 billion in FY 1990). The reason for the high levels of domestic merchandise is that about 90 percent of zone activity involves manufacturing at domestic plant sites, using a high level of domestic components. Exports remained in the \$11 billion range.

There are currently 65 applications pending with the Board, which involve 11 proposals for new zones, 39 for subzones. The remainder involve changes to existing zones.

The Foreign-Trade Zone (FTZ) Staff which receives and processes FTZ applications is part of IA. The staff conducts reviews on new zone applications and prepares reports with recommendations for FTZ Board actions. Existing zone activity is subject to monitoring and may be reviewed at any time to determine whether there are changed circumstances that raise public interest questions. If, for example, evidence were to indicate that zone procedures were delaying shifts to domestic sourcing at a plant with subzone status, there would be grounds for the FTZ Board to consider the curtailment of zone authority.

The FTZ Board has authority to revoke zone operational authority for cause, including findings of changes in trade policy, changed economic circumstances, or for violations of the FTZ Act, regulations, or restrictions in Board Orders. Also, U.S. Customs can revoke a zone user's authority based on Customs violations.

Commercial Information Management System

QUESTION:

What is the current status of the installation of the Commercial Information Management System (CIMS) in overseas and domestic sites?

ANSWER:

All domestic and nearly overseas sites have received new PCs, printers, office automation tools and CIMS. The only sites remaining to be installed are Lagos (due to political unrest), and most of the NIS sites (due to construction delays). Moscow, however, is completed. We did not have sufficient funding to provide a workstation to every professional user in FY 1993, so we are providing additional PCs, printers and networks to many sites this fiscal year. This should significantly improve our ability to access and use CIMS.

QUESTION:

How many sites will have the latest version of CIMS installed and operating by the end of the fiscal year 1994?

- a. How many sites will have the National Trade Data Bank available by the end of FY 1994?
- b. Have these installation plans changed from what was planned as of a year ago?

ANSWER:

We expect to have the latest version of CIMS installed and operating at 70 domestic offices and 136 overseas offices by the end of the fiscal year.

- a. All sites will have the National Trade Data Bank.
- b. Our plans have not changed significantly from a year ago, although we have encountered scheduling delays with the NIS sites due to the need to finalize office space. While we may not be able to complete a full implementation of the entire automation platform at some of the NIS sites this year, we expect to have CIMS available on at least one PC at each location.

QUESTION:

What is the current status of the electronic mail system project? Are you experiencing any ongoing problems with that system?

ANSWER:

In recent months the rate at which we are adding overseas posts to the US&FCS E-Mail network has been increasing. In addition, the scheduling information provided by the State Department is now much more reliable and more frequently updated. We now have 79 overseas posts on E-Mail. With the exception of NIS offices, the rest are scheduled for activation by the end of this year. Our ability to coordinate daily operations and new installations with the State Department has greatly improved.

QUESTION:

What is the status of implementing the CIMS system at ITA headquarters?

ANSWER:

The PCs, printers and office automation tools needed to support CIMS use by the field offices are also needed at headquarters. Now that the field implementation is virtually complete, we have begun to upgrade headquarters. This fiscal year we will provide new PCs, printers, networks and an array of office automation tools to approximately 250 users at US&FCS HQ. Once this phase is complete, we will analyze the additional application systems that are needed to meet specific HQ requirements, including CIMS+ access.

To date we have completed the design of the basic HQ system, set up a prototype for evaluation, installed the first network and 10 PC workstations, and trained the first "pilot" group of users. We expect to complete this phase of the US&FCS HQ automation upgrade by the end of FY 1994.

QUESTION:

Are the FCS offices overseas experiencing any problems in communicating with their State Department counterparts within the embassies? Please provide any specific details for the record.

ANSWER:

US&FCS posts would like to be able to exchange E-Mail with their State Department counterparts, but security and technical compatibility issues are yet to be addressed. This has forced the US&FCS to maintain separate workstations at some locations simply to send E-Mail to State Department staff or to send cables to the telecommunications center for transmission. This is costly and time consuming. It should be noted that this situation is not unique to the US&FCS; other agencies with overseas offices have similar problems.

Trade Information Center

QUESTION:

What is the status of the Trade Information Center "800" number program? What is in the request for this program?

ANSWER:

The Trade Information Center receives approximately 1,500 calls from businesses nationwide each week, a 50 percent increase since last year. We expect a 10 to 20 percent increase in calls by next year while operating the Center at the same funding level as in FY 1994.

Center staff guides callers through the export process and advises them on how to locate and use TPCC-wide export assistance programs, including those that provide: 1) International Market Research and Trade Leads; 2) Overseas and Domestic Trade Events and Activities; 3) Export Financing; 4) Export Licenses and Controls; and 5) Federal Environmental Export Promotion Programs and Assistance.

The Center maintains a database of companies who call for advice and counseling. The database includes specific information on each company, including size of company, level of export experience, geographic area of interest, and industry sector affiliation. This information is provided to other internal units of the International Trade Administration (U.S. and Foreign Commercial Service, Trade Development, International Economic Policy), TPCC-member agencies (Department of Transportation, Department of Agriculture, Small Business Administration), and other state and local trade organizations (U.S. Chamber of Commerce, California State World Trade Commission, Alabama State Development Office). Recently, the Center developed on-line computer capabilities, including access to Internet and bulletin board systems, such as FedWorld.

The Center maintains close working relationships with ITA Public Affairs to publicize its services to media outlets. The Center has been mentioned in trade association newsletters, industry journals, newspapers, and national magazines including Inc., Entrepreneur, USA Today, Hazmat World, The San Jose Mercury newspaper, and the UPS Roundup newsletter. The Center also works with ITA Legislative Affairs to promote its services on Capitol Hill. The Center is planning to mail promotional kits to the Members of Congress in June 1994.

The Center also operates the Uruguay Round Fax-on-Demand system and serves as the first point of contact for general information on the North American Free Trade Agreement, tariff phaseouts and rules of origin.

No funding increase for the Center is included in the FY 1995 budget request.

QUESTION:

What level of support has been provided by other agencies to operate the Trade Information Center since its inception? Will the other members of the TPCC continue to provide support to the Center in FY 1995?

ANSWER:

In June 1993, A.I.D. agreed to fund a U.S.-Asia Environmental Partnership Specialist for the Center for two years. No other TPCC-member agencies have contributed personnel or financial resources to the Center.

North American Free Trade Agreement

QUESTION:

What amounts are included in this request to support implementation of NAFTA? How does the request compare to funding allocated for NAFTA implementation in FY 1994?

ANSWER:

We estimate \$1.7 million is included in the FY 1995 base budget for the NAFTA implementation. FY 1994 fiscal plans contain \$1.7 million in support of NAFTA implementation.

QUESTION:

Will ITA (or any other Commerce Department bureau) be responsible for any of the funding of the NAFTA Secretariat on labor? If so, what amount is included in this request? Are funds being requested by other agencies for the support of this secretariat?

ANSWER:

ITA has not requested resources in support of the NAFTA Secretariat on labor. The NAFTA Secretariat on labor responsibility rests with the Department of Labor.

QUESTION:

Under NAFTA, ITA has the responsibility for the dispute resolution panels, instead of the U.S. Trade Representative as was the case under the U.S.-Canada Free Trade Agreement. What amount is in this budget request for the panels, and how did you arrive at your estimate for this request?

ANSWER:

Our FY 1995 base contains approximately \$492,000 for the administration of the NAFTA Secretariat transferred from the U.S.-Canada Free Trade Agreement Binational Secretariat. No additional funding has been requested. Since the Treaty was signed after formulation of the FY 1995 budget, all needs may not be fully reflected in the current resource base. Therefore, as the year progresses, we will reassess funding requirements.

Headquarters Office Automation

QUESTION:

What is the status of the ITA Headquarters automation initiative, and what is in this request for that project? Provide for the record a breakdown of the request for each of the operating units showing the amount requested for software development, purchase of hardware and maintenance of the network.

ANSWER:

No request has been included in this budget submission to support the ITA-wide Headquarters automation initiative (a portion of the CIMS request supports the US&FCS headquarters automation requirements). A budget initiative for headquarters automation was submitted and denied for several consecutive years.

QUESTION:

When will this automation effort be completed? What are the expected outyear resource requirements, and how much has been spent on this initiative in FY 1993 and planned for FY 1994?

ANSWER:

Progress has been made in improving the automation capabilities of ITA headquarters over the past several years. Because no specific funding was approved for this purpose, existing resources have been devoted primarily to networking existing equipment, rather than increasing the number and capability of personal computers or providing office automation software.

By the end of FY 1994, all of ITA Headquarters should have a basic electronic mail system in place. This will provide e-mail exchange between all ITA headquarters and field organizations, as well as between ITA and other Commerce bureaus (including the Office of the Secretary). Expenditures on network-related activities were approximately \$2 million in FY 1993, with the work being

completed this fiscal year. No money has been earmarked for this activity in FY 1994 or beyond.

Trade Policy Information System

QUESTION:

You are requesting an increase of \$911,000 in FY 1995 to create a modern, downsized replacement for the current Trade Policy Information System (TPIS) which is currently located at the National Institutes of Health. For what reason will NIH no longer be responsible for this computer system? Why was the system located at NIH in the first place?

ANSWER:

NIH's Division of Computer Research and Technology has been providing computer facilities (but not applications systems) to Government agencies for many years on a reimbursable basis as a Federal Data Processing Center. GSA withdrew the charters of all such centers. Acting upon Congressional and GSA direction NIH decided that it would no longer procure capacity suitable for extra-HHS activities. The system started at NIH in the 1970's, when teleprocessing meant use of mainframes via "dumb" terminals, and the facility at NIH was exceptionally cheap and accessible to the various USG trade agencies.

QUESTION:

Are the funds requested only for development of the new system? Will development costs continue in subsequent years? What is the basis for calculation of this request?

ANSWER:

The funds requested are for development, including data conversion and start-up. Increased funding requirements of approximately \$350,000 remain in FY 1996, and approximately \$15,000 in FY 1997. In the following years the cost of maintenance and operation will be approximately the same as we now incur. FY 1996 is so expensive because of the need to operate the old system while the new one is brought on-line and tested. The costs were calculated from known current expenses and estimates of systems development and equipment costs, using corporate experience and vendors' hardware specifications.

QUESTION:

What will be the annual cost of maintaining this system, and will ITA be the only agency contributing to that cost?

ANSWER:

By FY 1998 the annual cost of operating this system, including personnel, data, and all user support and services such as hot line coverage and training, will approximate the FY 1994 program costs of \$635,000. Just as client agencies now pay HHS for actual use (but not maintenance) at NIH, we will charge other agencies for their use of the new system.

QUESTION:

When would the proposed new system be operational, and would there be any gaps in the availability of trade policy data?

ANSWER:

The new system will become available at the end of FY 1996, and there will be no gaps in the availability of trade policy data.

Environmental Technologies Trade Expansion

QUESTION:

You are requesting an increase of \$4.1 million for an Environmental Technologies Trade Expansion initiative. ITA plans to implement a strategic international marketing program to increase U.S. exports of environmental technology, products and services. Do you have any statistics on the current levels of U.S. exports in the environmental technology area and how that level compares to other countries such as Japan and Germany?

ANSWER:

Data for this industry are difficult to assemble due to the dual-use nature of many of the products and the fact that much of what this industry provides are services for which data are not available. However, the Environmental Business Journal (EBJ) estimates that for 1992, total U.S. revenues were \$134 billion with 5% being exported. EBJ's comparable numbers for Germany and Japan were \$36 billion with 31% exported and \$21 billion with 23% exported respectively.

QUESTION:

Where are the companies producing environmental products and services located geographically within the U.S.? What efforts will be made domestically to increase the number of businesses involved in this field?

ANSWER:

Companies which are involved in the environmental industry exist in all states; however, the highest levels of concentration of these firms are in California, Massachusetts and Texas. This initiative will be targeted mostly at small and medium-sized firms that are new to export or new to exporting to a particular market. We plan to add personnel (using currently unfunded positions) to the US&FCS district offices and the export assistance centers in areas where there are high concentrations of environmental firms. In addition, we plan to expand our export counseling activities, exploring new and better ways of providing country-specific information, disseminating trade leads, and facilitating environmental companies' access to export financing that is available through the U.S. Government and the multi-lateral development banks. We will also increase the number of environmental conferences and trade missions conducted by the Department. Finally, we intend to develop better ways to measure the performance of the industry and the results of U.S. Government efforts to increase exports of environmental technologies.

American Business Center Program

QUESTION:

What is the status of the American Business Center program in the former Soviet Union? Have all awards been made?

ANSWER:

An Interagency Agreement with USAID for \$5 million was signed in May 1993, enabling the Commerce Department to begin implementing the American Business Center (ABC) program. On March 25, 1994, Commerce signed a new Interagency Agreement with USAID, securing an additional \$6 million to permit expansion of the ABC network. USAID has made a "funds available" commitment for an additional \$1 million in FY 1995.

Five ABCs will be operated by and located with the U.S. and Foreign Commercial Service (US&FCS) posts in St. Petersburg and Vladivostok, Russia; Kiev, Ukraine; Almaty, Kazakhstan; and Tashkent, Uzbekistan. These ABCs are expected to be open by mid-1994.

Up to eight additional ABCs will be established and operated by private sector entities through cooperative agreements with Commerce. These ABCs will be located in NIS cities with no US&FCS presence. US&FCS solicited competitive applications for these ABCs through a Federal Register notice.

The first two awards have been made to Science Applications International Corporation for an ABC in Novosibirsk, Russia and to the Environmental Planning Group for one in Nizhnevartovsk, Russia.

US&FCS has not been able to make additional awards due to the delay in receiving the additional funding from USAID this fiscal year. With the March 25, 1994 Interagency Agreement, Commerce expects to be able to announce the next awards by May 1994.

QUESTION:

Please provide for the record a listing of all American Business Center grant recipients by location.

ANSWER:

Two cooperative agreement awards have been granted to the following private organizations to establish and operate Centers in Novosibirsk and Nizhnevartovsk, Russia.

- **Novosibirsk:** Science Applications International Corporation
1710 Goodridge Drive
P.O. Box 1303
McLean, Virginia 22102
- **Nizhnevartovsk:** Environmental Planning Group
205 Park Avenue
Barrington, Illinois 60010

TRADE PROMOTION COORDINATING COMMITTEE

IMPLEMENTATION OF THE NATIONAL EXPORT STRATEGY

YEAREND REPORT TO THE PRESIDENT

DECEMBER 31, 1993

INTRODUCTION

Since the Trade Promotion Coordinating Committee's (TPCC) Report to Congress, *Toward a National Export Strategy*, was issued on September 30, 1993, we have been pursuing a three-fold approach to export promotion. First, we have focused on implementing the 65 specific recommendations included in the report. Second, we have undertaken a number of new initiatives in a spirit of enhanced interagency cooperation. Finally, we have developed a strategy to guide our future efforts. This first progress report on TPCC implementation summarizes our efforts in all three areas.

At the outset, I wish to acknowledge the excellent job done by the 19 agencies of the TPCC since the report was released. Ken Brody at the Export-Import Bank (Exim Bank), Ruth Harkin at the Overseas Private Investment Corporation (OPIC), Joe Grandmaison at the Trade and Development Agency (TDA), and many others throughout the government have given tremendous attention to trade promotion during the past three months.

I. IMPLEMENTATION OF A NATIONAL EXPORT STRATEGY: A PROGRESS REPORT

The TPCC Report contained 65 specific recommendations aimed at improving and streamlining the U.S. Government's export promotion activities in a way that will produce real benefits for American workers and the U.S. economy in the near term. Implementation across the government is moving forward. This report groups these recommendations into 11 major categories and summarizes progress.

ADVOCACY

A key mandate of the TPCC is to enhance advocacy efforts across the U.S. Government on behalf of U.S. companies involved in major, big ticket global competitions. We have created a vehicle -- the TPCC Advocacy Coordinating Network -- that will, for the first time, coordinate U.S. Government advocacy efforts. The Network, chaired by Secretary of Commerce Ron Brown or his designate, is composed of representatives from the Departments of Energy, State, Transportation, Treasury, Labor and Defense, Exim Bank, TDA, OPIC, the Environmental Protection Agency (EPA), the Office of the U.S. Trade Representative (USTR), and the Agency for International Development. Secretary Brown convened the first meeting of the Network in December.

In accordance with the TPCC mandate to establish a central contact point on Government-wide advocacy, the Commerce Department opened its Advocacy Center on November 22. Staffed by five employees, the Center employs a computerized tracking system and database to monitor advocacy requests, responses and outcomes, and to maintain information on major project and procurement opportunities worldwide. A field of over 75 possible major projects has been

identified, and criteria are being developed to select about a dozen projects for the initial efforts. Projects chosen will be those with potential big payoffs for American firms, and will include major infrastructure undertakings such as power plants, airports, and transportation systems in major emerging and developed country markets.

For each project, the Advocacy Network, supported by the Advocacy Center and working with the private sector, will develop a plan for coordinated U.S. Government efforts on behalf of U.S. bidders. Through the Advocacy Network, all interested TPCC agencies will contribute resources from across the U.S. Government to support individual advocacy projects. The Network will develop strategies that might, for example, combine representations and letters from senior officials at Commerce and State with tailored financing efforts from agencies like Exim Bank, OPIC, or TDA. Consultations have begun with the private sector to exchange ideas on the most productive use of U.S. Government advocacy resources and to expand our information on particular projects.

EXPORT CONTROLS

Since September, we have made progress in eliminating unnecessary and ineffective controls and streamlining the export control process, thereby addressing the key regulatory obstacle to exporting identified in the TPCC report.

- Computers: Much of the computer decontrol proposal in the TPCC report has been implemented. When the report was issued in September, the United States controlled the export of computers operating at over 12.5 MTOPS (million theoretical operations per second--a measure of the processing speed of the computer). This control level required licensing authorization for almost any computer above the level of a desktop personal computer (PC) and even caught some PCs. The Administration announced that steps would be taken to raise the control level for computer exports to most destinations to 500 MTOPS. When fully implemented, this will free about \$30 billion of computer exports per year from the licensing requirements.

On October 6, the Department of Commerce authorized exports without prior government authorization of computers up to 195 MTOPS to most western destinations. With the higher supercomputer definition noted below, we will expand this authorization for western destinations to 500 MTOPS as soon as the regulation can be published.

To make the computer decontrol effective to the former "East Bloc" countries and the People's Republic of China (PRC), we need to obtain the concurrence of our allies in the Coordinating Committee on Multilateral Export Controls (CoCom). CoCom initially agreed to raise the control level for former East Bloc countries and the PRC to an interim level of 67 MTOPS. Commerce implemented this change on December 9. On December 21, CoCom agreed to a control level of 260 MTOPS. This change will be

implemented as soon as the regulation can be published. We are pursuing further discussions in CoCom to reach the 500 MTOPS control level.

- Supercomputers: The Administration proposed to increase the definition of a supercomputer from 195 to 2000 MTOPS. As required by our international agreements, we have discussed this matter with the Japanese. On December 10, the Japanese agreed as an interim measure to move the supercomputer threshold to 1500 MTOPS. We will pursue further negotiations with the Japanese to attain the 2000 MTOPS threshold.
- Telecommunications: All of the proposed telecommunications changes discussed in the TPCC report were implemented on October 6, except for those relating to shipments to the former East Bloc countries and the PRC. We have proposed the changes in CoCom and are pressing for quick action.
- Procedural reform: The Administration is well along in work to implement the procedural recommendations of the TPCC and the proposals to clarify and simplify regulatory requirements. We also expect to incorporate many of the recommended reforms into the renewal of the Export Administration Act (EAA). An Administration bill for the EAA will be presented to the Congress in early 1994.

TRADE FINANCE

Implementation of the recommendations on export finance -- a key component of the National Export Strategy -- is well under way. An example of our more flexible and aggressive approach to export finance issues was seen in the recent competition at the time of the APEC meeting over the Chinese Guangzhou metro competition. Exim Bank moved quickly to counter tied aid offers from foreign governments to help secure a substantial portion of the contract for American business.

- Tied Aid: The TPCC is completing plans for the implementation of the Capital Projects Aid Fund. The President's budget for FY1995 allocates \$150 million to this Fund, of which \$50 million was contributed by the Exim Bank. The Exim Bank has proposed a set of policies and procedures that will guide the use of this fund. This proposal is being reviewed by other TPCC member agencies and will be circulated to the private sector for comment in January.
- OPIC: OPIC raised its per project funding limit from \$50 to \$200 million.
- Working Capital: Exim Bank and SBA have reconciled most of the differences between their respective working capital programs, with final reconciliation expected in February 1994. The goal is to complete harmonization and streamlining and obtain necessary legislative approval for changes to working capital programs by Summer 1994.

- Feasibility Studies: The transfer of feasibility study funds from the Overseas Private Investment Corporation, the Exim Bank, the Department of Energy, and the Agency for International Development to the Trade and Development Agency has not taken place. The TPCC has called upon the Office of Management and Budget, as a neutral auditor, to identify the specific funds for transfer, in particular those previously allocated to AID, and to ensure that such transfers take place.
- Federal/State Initiatives: Co-financing - Exim Bank has identified those state and local finance entities which actually provide either funding or guarantee support with which Exim Bank and SBA should consider co-financing agreements. Completion of agreements will follow harmonization of working capital programs. Exim Bank City/State Program - Exim Bank has expanded its City/State Program to include New Mexico and is undertaking an analysis of ways to improve the program.
- Multilateral Development Banks (MDBs): To broaden U.S. Government assistance to U.S. companies seeking multilateral development bank procurement opportunities, Commerce has created a single office in Washington to provide business counseling and mount an aggressive outreach effort. The office will work closely with U.S. Government domestic field offices to ensure the timely dissemination of targeted information to U.S. firms. Additional Commerce staffing will be added at the banks, both in Washington and overseas.

DOMESTIC FIELD NETWORK: EXPORT ASSISTANCE CENTERS

Four U.S. Export Assistance Centers, integrating in a single convenient location the export marketing and finance services of Commerce, SBA, and Exim Bank, will open in the first two months of 1994 in Chicago, Baltimore, Los Angeles and Miami. The one-stop shops will provide a single point of contact at the local level for all federal export promotion and finance programs. Co-location of these three agencies improves planning and coordination of export marketing and trade finance services and more streamlined delivery to businesses. Each Center will target its services to export-ready firms; the Centers will work with other local public and private sector export development partners to ensure that a local network is also in place to deliver timely and appropriate assistance to non-export ready firms. A comprehensive training program has been established for all Center staff. The sites for 10 additional Export Assistance Centers will be named in June 1994.

In addition to the government-staffed one-stop shops, the TPCC report also called for the creation of a pilot program of private sector-operated trade assistance centers to complement the services provided by the one-stop shops. These centers will provide needed services to small businesses such as: loan packaging, market research, and assistance in completing export transactions. Planning will begin in 1994 to identify sources of government seed money which would allow us to begin a pilot center in FY1995.

RESOURCE ALLOCATION

Toward a National Export Strategy recommends the creation of a unified federal export promotion budget for FY1995. To implement this recommendation, OMB has been working with the appropriate agencies to fashion a budget "cross-cut" which will detail how all federal export promotion resources are allocated across agencies. For FY1995, charts will be presented which show how resources are allocated by generic category of activity, by major types of exports (e.g., manufactured goods, agriculture, services) and by geographic markets. We anticipate that this cross-cutting resource allocation analysis will be refined in subsequent budgets, with increasing levels of detail reflecting strategic decisions made in the TPCC process.

The NEC Working Group has developed three basic criteria for evaluating export promotion programs, with additional criteria to be established. The three criteria are: (1) the "but for" test, that is, this activity would not occur *but for* federal government participation; (2) high-wage job creation; and (3) marginal increase in export volume by sector or geographic target attributable to incremental federal expenditure.

ENVIRONMENTAL EXPORTS

On November 22, 1993, Secretary Brown, Environmental Protection Agency (EPA) Administrator Carol Browner and Energy Secretary Hazel O'Leary announced the nation's first-ever national export strategy for environmental technologies. The strategy, called for by the President in his Earth Day speech in April 1993, reflects the Administration's commitment to close interagency cooperation in the pursuit of this large and rapidly growing market. The TPCC has targeted environmental exports as an especially attractive growth opportunity, one that can create high-paying U.S. jobs while protecting the global environment.

The TPCC Environmental Trade Working Group, chaired by Commerce and co-chaired by EPA, has begun interagency coordination of the implementation effort as well as the development of new ideas to help U.S. exporters sell products incorporating environmental technologies abroad. The group is working with the TPCC Advocacy Center to have available by the end of January, a list of major overseas project or procurement opportunities where U.S. Government advocacy may be appropriate to expand U.S. environmental technologies exports. The Department of Commerce is creating within the International Trade Administration the position of Deputy Assistant Secretary for Environmental Technologies Exports to provide additional leadership and staff support to the TPCC effort.

OVERSEAS NETWORK

Plans for strengthening our overseas capabilities to ensure that we focus on those markets with the greatest potential for expanding American exports are well under way. These include:

- Country Strategic Commercial Plans: By February 15, 1994, U.S. Government embassies located in countries with significant market potential will for the first time develop Strategic Commercial Plans (SCPs). These plans will be concise road maps for achieving U.S. commercial objectives in the host countries during the year. Unlike prior efforts, the Strategic Commercial Plans will be developed by all members of the country team, under the direction of the Ambassador. They will identify goals, strategies, and performance measures for a number of key areas including: information-gathering, advocacy, financing, trade and investment initiatives, and outreach. The plans will be important resources to be used by the TPCC Strategic Planning Working Group, co-chaired by the Departments of Commerce and State, in developing an overall global commercial strategy.
- Foreign Service Nationals (FSNs): The United States and Foreign Commercial Service (US&FCS), working with the State Department, is identifying those emerging new markets where our current trade promotion effort abroad is inadequate. In order to expand our coverage of these markets, US&FCS will be opening new offices under the management of FSNs (i.e., local employees) with supervision by a US&FCS regional office.
- Training of Overseas Personnel: A key component of our efforts to improve our overseas commercial operations is training. Enhanced training that instills in U.S. Government personnel a stronger priority to promote America's economic well-being is a top TPCC priority. Several new training initiatives are under way, including a Western Hemisphere pilot program to strengthen the trade finance expertise of our export promotion staff.

TRADE EVENTS

The TPCC will have available in January 1994 a comprehensive roster of all planned or proposed federal trade events for FY1994 and FY1995. A calendar highlighting significant high level federal official travel through mid-1994 to be used for trade promotion and advocacy purposes is nearly completed. An inter-agency TPCC Trade Events Board to coordinate the federal trade events schedule, chaired by the Commerce Department, will be established in January 1994. The Board will focus on streamlining the number of events by reducing duplication and improving the quality through better coordination. In addition, discussions have

begun between Federal officials and their State counterparts to enlist their support for TPCC activities and to develop ways to better coordinate the planning and staging of trade events. In January, Commerce officials will meet with private sector organizers of trade events to involve them in our streamlining process.

COMMERCIAL INFORMATION/ INFO CENTERS

The TPCC has launched a number of initiatives to improve the collection and dissemination of commercial information, including:

- Country Commercial Guides: The TPCC is developing a format that will be used to produce comprehensive commercial guides for each major country. The guides, which will replace as many as 12 separate reports on a given country, will include information on: leading commercial prospects for U.S. business; political, economic and investment climates; and the financing environment in each country. These guides will be available to the private sector by Fall 1994.
- National Trade Data Bank (NTDB): An interagency working group is establishing U.S. Government-wide quality standards on the content and approach for NTDB information collection and dissemination. TPCC agencies are expanding their contributions to the NTDB to ensure inclusion of all U.S. Government commercial information in the database. In October, Commerce instituted a procedure for regular review of market research in the NTDB to ensure comprehensive, timely, and relevant coverage. New NTDB software aimed at improving user friendliness and expanding accessibility via the Internet system is scheduled for mid-1994.
- Trade Information Center (1-800-USA-TRADE): By early 1994, the TPCC will complete an upgrade of the government-wide Trade Information Center's (TIC) computer network. The TIC will provide callers with "seamless" access to Commerce's regional market information centers from the TIC 1-800- telephone system. In addition, a new marketing campaign aimed at expanding TIC visibility will be undertaken to increase the number of business calls, now averaging over 1000 per week, received by the TIC.
- Trade Leads: The Commerce Department currently disseminates trade leads generated by commercial officers overseas through the Electronic Bulletin Board and the *Commerce Business Daily*. To broaden and expedite the dissemination of trade lead information to the business community, the Commerce Department will execute agreements with qualified private sector organizations by April 1994.

PRODUCT STANDARDS

TPCC member agencies are addressing the improved coordination of our international standards efforts on a number of fronts.

- In October 1993, Commerce, EPA and the Office of the U.S. Trade Representative (USTR) established a network to track agency participation in the development of U.S. and international environmental management standards. Also in the environmental area, the National Institute of Standards and Technology, in cooperation with EPA, the International Trade Administration and the private sector, has increased U.S. Government activity in the International Standards Organization ISO Tech 207 process to set voluntary environmental standards for processes and products.
- In December 1993, a joint communique regarding future cooperation was concluded between the United States and Russia for mutual recognition of laboratory accreditation and product certification.
- In January 1994, the U.S. Government will begin sectoral negotiations with the European Community on mutual recognition of approvals for regulated products. These negotiations will initially focus on the telecommunications and information technology sectors.
- In May 1994, Commerce, State, the Agency for International Development and the Organization of American States will jointly sponsor a regional workshop for Latin American Southern Cone countries on standards, laboratory accreditation, and metrology to familiarize government officials and business interests with U.S. standards and practices.
- In the Fall of 1994, the U.S. Government will distribute to the public a catalog identifying government personnel involved in private sector standards development.
- The Department of State, in conjunction with the Department of Transportation, the Office of Management and Budget, and the National Institute of Standards and Technology, is actively working for the world-wide acceptance of standards and norms in electronic commerce.

FEDERAL-STATE COOPERATION

States are actively involved in the implementation of the TPCC recommendations through joint planning of initiatives. For example, two Export Assistance Centers -- those in Baltimore and Miami -- will be co-located with state facilities. State trade offices will be included in the development of the ten FY 1995 sites to be selected by June 1994. Staff from TPCC member agencies met with representatives of state development and agriculture agencies and governors'

offices in December to inventory current federal-state cooperative agreements and formal lines of communication, develop better communication channels, and discuss ways to improve the accuracy, acquisition and dissemination of trade-related information. The TPCC will provide a status report on these issues by March 1994.

II. NEW INITIATIVES UNDER WAY SINCE SEPTEMBER 1993

TPCC activities since September have not been limited to implementing the 65 recommendations in the report. A number of additional trade promotion activities have taken place with enhanced interagency participation since the release of the report. A senior-level TPCC working group, chaired by Commerce's Under Secretary for International Trade, has met on three occasions to hear reports on individual agency initiatives, discuss better ways to enhance interagency trade promotion coordination, and to move forward with a number of specific initiatives. These initiatives have included regional programs, country-specific programs, and process improvements.

REGIONAL INITIATIVES

- Association of Southeast Asian Nations (ASEAN)

ASEAN's economic significance to the United States has grown dramatically in recent years. Our exports to ASEAN have increased by 86 percent since 1988 -- far faster than with almost all other trading partners. In 1992, it was our fourth largest trading partner, with two-way trade exceeding \$60 billion. With 320 million people, impressive economic growth, and relatively low trade barriers, ASEAN offers almost unparalleled economic opportunities for U.S. business. The Office of the U.S. Trade Representative, with strong support from the Department of Commerce, developed a strategy for a coordinated U.S. Government policy and promotion approach to help American firms seize these opportunities.

At the Asian-Pacific Economic Cooperation (APEC) Ministerial, Ambassador Kantor and Secretary Brown launched the U.S. - ASEAN Alliance for Mutual Growth (AMG), a program linking U.S. trade policy objectives with trade promotion and commercial interests for the ASEAN region. The Alliance seeks to combine government programs and private sector initiatives to stimulate U.S. and ASEAN trade and economic growth. AMG initiatives under development include: (1) a trade mission to the ASEAN led by senior U.S. Government officials with pre-and post-mission export counseling for private sector participants; (2) a small business joint-venture initiative between ASEAN and the United States; (3) identification of major project opportunities in ASEAN; (4) preparation and dissemination of "Destination ASEAN" materials providing "how to" information to U.S. exporters interested in selling to ASEAN buyers; (5) a joint U.S.-ASEAN standards harmonization initiative; and (6) a coordinated U.S. Government trade finance strategy for the region.

COUNTRY INITIATIVES

● "Export Mexico"

With the passage of NAFTA the Mexican market presents enormous opportunities to U.S. exporters. "Export Mexico," a program begun before the TPCC report was issued, is a prime example of TPCC principles in action. It has taken on added significance in the wake of NAFTA both with respect to Mexico and as a model for interagency coordination and targeted efforts in other key markets. An interagency task force, composed of representatives from SBA, Exim Bank, Commerce and USTR, has launched several initiatives to boost U.S. exports to Mexico including: (1) distribution of 50,000 Export Mexico "how to" brochures; (2) provision of "nuts and bolts" counseling to targeted audiences through 260 Export Mexico seminars; (3) publication of *Industry Export Guides* which list specific market opportunities in Mexico for specific sectors; and (4) linkage of Export Mexico regional coordinators in the US&FCS domestic field offices with Washington operations and the U.S. Embassy in Mexico via electronic mail.

As part of the Administration's Export Mexico initiative, Secretary Brown led a 39 member Matchmaker Trade Delegation to Mexico City, December 7-9, 1993. This event was held in conjunction with the United States' largest trade show in Mexico -- Rep Com -- to help 200 U.S. companies find representation in the fastest growing market for U.S. exports. This Matchmaker represents the second in a series of targeted trade missions designed specifically to assist minority companies achieve sales in the dynamic Mexican market.

● South Africa

The TPCC is strongly committed to helping coordinate government efforts with those of the U.S. private sector to help South Africa in its transition to a multi-party market democracy. To that end, Secretary Brown, accompanied by representatives from nine TPCC agencies and 21 U.S. companies, led a trade and investment mission to South Africa November 26-December 2, 1993. In addition to assessing the climate for specific future business deals, the mission highlighted how public/private partnerships between the U.S. and South African governments and their respective business communities can help lay the groundwork not only for a growing and open South African economy, but also reinforce the transition to a democratic government. The mission included the signing of an OPIC bilateral agreement and announcement of our intent to create a U.S.-South African Business Development Council. The Secretary of Commerce also announced in October the appointment of a Minister Counselor-level Senior Commercial Officer for South Africa. This position will serve the emerging market of South Africa as well as the entire southern African region. Increased trade and investment will not only benefit South Africans. With its vast natural resources and tremendous economic potential, South Africa is a large and growing market for American businesses; in 1992, South Africa imported more than \$2.4 billion of U.S. products.

ESTABLISHMENT OF TPCC SECRETARIAT

To provide a permanent point of contact for U.S. Government agencies or private sector representatives seeking information on TPCC activities or who wish to rapidly place an issue on the TPCC's agenda, in November 1993, the TPCC established a Secretariat in the Office of the Under Secretary for International Trade at the Department of Commerce. The Secretariat is also responsible for coordinating the development and monitoring the implementation of the National Export Strategy.

III. STRATEGIC DIRECTIONS FOR 1994

For 1994, our strategy will focus on the following:

- (1) Continued intense follow-up to the implementation of the 65 recommendations in the National Export Strategy Report. We are behind schedule in resource allocation, in particular, and we will give that special attention. We are intent on making the Advocacy Center a major asset in helping U.S. firms win big contracts abroad. We must continue progress on export controls, and we must ensure that the one-stop shops open on schedule.
- (2) Genuine interagency coordination. We have made progress in facilitating communication among the agencies when it comes to trade promotion. However, we do not have sufficient interagency advance planning. All too often our efforts at coordination entail simply comparing notes about initiatives already being implemented. We must begin to coordinate our efforts much earlier in the process, at the strategic planning phase. This will be a major goal for the next year, and will be accomplished, in the first instance, in the context of country strategies; eventually sector strategies will be developed by the TPCC working group.
- (3) Communication with Business and Congress. Now that the TPCC is up and running we need a vigorous program of constant communication with the private sector, our clients, and with Congress and the Public. Our plans are elaborated below.
- (4) Technology and Trade. In thinking about how to promote exports, we will inject broader considerations into our efforts. Foremost among these is the search for ways to expand technological cooperation with our trading partners. In this connection, we look for new types of programs that involve the private sector in countries like Indonesia, Argentina, Israel, and Russia.

- (5) Emerging Markets. Over the next three years, we will be making a major effort to focus our trade promotion on the Big Emerging Markets. The Department of Commerce has identified ten countries around the world which have unusual potential for imports from the United States over the next several years. Early in January, we shall examine these countries and others like them in the TPCC.

As part of this strategy, TPCC member agencies are already planning several inter-agency initiatives for 1994. These include geographic initiatives in the key markets of Asia and Latin America as follow-up to our recent policy successes with APEC and NAFTA. Others focus on sectoral opportunities in growth industries like environmental exports. In many of these cases, planning is well under way, with TPCC events scheduled for early next year. Others represent targets of opportunity for new efforts at interagency cooperation which can in part form the basis for the TPCC's 1994 Report to Congress.

FOCUS ON ASIA-PACIFIC

The successful conclusion of the recent Asian-Pacific Economic Cooperation (APEC) meeting in Seattle has crystallized the opportunities that the region presents for U.S. commercial interests. Several targeted regional- and country-specific initiatives in the Asian region are well into the planning stages and will enable us to capitalize on these opportunities over the coming year; all have a strong TPCC interagency component.

- Follow-up to APEC: Pacific Partnership Initiative

At the APEC meetings, Secretary Brown announced the Administration's Pacific Partnership Trade Initiative, an interagency program focussing the commercial capabilities of the U.S. Government on the dynamic Asian market. The initiative includes an aggressive series of trade missions to the Asia/Pacific region, coordinated under the TPCC. The missions will focus on key sectors for infrastructure development such as aviation, telecommunications, electrical power, and transportation; as well as tourism, and environmental technology.

- ASEAN follow-up

As noted above, Secretary Brown and Ambassador Kantor presented the U.S.-ASEAN Alliance for Mutual Growth, a major component of the Pacific Partnership Initiative, to the six ASEAN trade ministers during the APEC Ministerial week. The ASEANs welcomed the initiative, and agreed that certain aspects of it should be shaped jointly. The U.S. and ASEAN delegations agreed to meet again in January to discuss the initiative. The interagency TPCC ASEAN group plans to pursue a high-level trade mission to ASEAN in the spring of 1994 in key high-tech sectors such as aviation, telecommunications, or transportation. We are also considering linking this initiative to the Administration's California Initiative by recruiting heavily for the trade

mission in California. Also in train are a Destination ASEAN program that will build on the Export Mexico model and will include seminars around the country on exporting to ASEAN and export guides. USTR and Commerce staff will pursue joint small-business initiatives and standards initiatives with the ASEANs at meetings tentatively scheduled for January.

- China

China is the world's fastest growing economy and our fastest growing export market. In 1992, it imported \$7.5 billion worth of U.S. goods, imports which generated roughly 150,000 jobs for American workers. The China market for infrastructure projects is the largest in the world: \$200 billion over the next seven years to construct and upgrade energy, telecommunications, and transportation facilities. These are all areas in which American companies excel and could claim a significant share of the market. Secretary Bentsen will go to China in January to begin a high level economic dialogue. Also key to our commercial objectives will be a variety of U.S.-China commercial initiatives under the U.S.-China Joint Commission on Commerce and Trade (JCCT) providing, of course, that the political climate is appropriate at the time. The eighth session of the JCCT, to be chaired by Secretary Brown on April 13-14, 1994, will include participation by other TPCC agencies, including State, USTR, Agriculture, Exim Bank, and possibly others. The session will have an industry focus, and will aim at building more cooperative relations between Chinese ministries, corporations and provincial level officials and U.S. Government and industry. Key TPCC goals will be aggressive promotion efforts aimed at increasing U.S. participation in China's massive infrastructure projects in areas like transportation, energy and telecommunications and in high technology sectors. A variety of trade missions is envisioned to support this objective.

- Indonesia

The Commerce Department has prepared an indepth analysis of our commercial relations with Indonesia to the year 2000 for presentation to the TPCC, which will be the basis for a TPCC country-specific effort in 1994. Despite major efforts by various Federal agencies to strengthen our commercial ties with Indonesia, U.S. companies are still losing ground to the Japanese, European, and other Asian investors and exporters. While the Indonesian market is growing rapidly, relative U.S. market share is declining. Our share of products imported by Indonesia has declined steadily from 19.5% in 1987 to only 11.4% in 1992.

Indonesian government procurement represents a large potential market for U.S. exporters. In many instances, U.S. Government advocacy support is critical to a firm's success in winning major project and procurement contracts. Foreign competitors, like the French and the Japanese, aggressively advance their commercial interests in Indonesia through both financial and political means. We plan to pursue a more proactive and coordinated advocacy policy to match this competitive challenge. In addition to intensified advocacy, the TPCC will undertake initiatives in the areas of technical assistance, senior-level U.S. Government missions, targeted

commercial counseling, outreach, and a particular focus on financing. Better terms and greater accessibility of Exim Bank funds and other financing guarantees from the U.S. Government are essential if U.S. firms are to increase their market share.

- Japan

Despite the recent slowdown of the Japanese economy, the Japanese market still offers significant opportunities for U.S. exporters. The size of the Japanese economy -- \$ 3.7 trillion in 1992 -- is not only the largest in Asia, but the world's second largest economy after the United States. In 1992, Japan was the single largest importer of American products and services in the world, after Canada. TPCC member agencies will strive to coordinate even more closely our export promotion programs with our extensive market access negotiations under the United States-Japan Framework. Private sector outreach will receive special attention, as we aim to heighten awareness in the U.S. business community of changes that occur in the Japanese market as a result of successful trade policy initiatives.

FOCUS ON LATIN AMERICA

- Mexico: Follow up to the North American Free Trade Agreement (NAFTA)

Effective implementation of the NAFTA will require an aggressive campaign to ensure that U.S. companies are informed about new business opportunities in Mexico and Canada under the NAFTA. The TPCC has already begun considering these challenges and undertaken the "Export Mexico" initiative, described above. In the coming months, the TPCC can bring a strong interagency focus on other promotion vehicles, such as an advocacy program that takes advantage of expanded access to Mexican government procurement and a conference where agencies will present their programs to implement the NAFTA and discuss their services available to the business community.

- Argentina

Argentina is undergoing profound political and economic changes that sharply contrast with the preceding 40 years of the country's history. These changes are creating unprecedented opportunities for U.S. trade and investment, and are likely to make Argentina a key regional player in the U.S.'s post-Nafta policy vis-a-vis Latin America, and a leading candidate for a Free Trade Agreement. TPCC agencies must develop a strategy that identifies ways not only to help U.S. exporters sell more to Argentina but also to reinforce the reform process so that the Argentina market continues to expand for U.S. exports. The Department of Commerce is conducting a commercial strategy study on Argentina to underpin a comprehensive program in that market. The study will be presented to TPCC agencies for review and implementation. Its proposed initiatives will include: senior level missions and an aggressive advocacy program to

target key commercial opportunities; technical assistance to Argentina to develop adequate regulatory structures in newly privatized sectors such as utilities; promotion of industrial standards that are compatible with the United States and which will facilitate bilateral trade; and implementation, with key non-governmental organizations, of a Market Development Cooperator Program targeted at such key sectors as environment, energy and transportation.

● Broader Latin American Strategy

The President has signaled his intention to work toward the goal of Hemispheric free trade, and the Vice-President announced that the United States will invite the democratically-elected heads of state to a Western Hemisphere summit next year to address the broad range of economic and social problems. The TPCC needs to support and advance these U.S. policy initiatives. TPCC agencies will work together to develop coordinated strategies to encourage continued privatization of state enterprises, regulatory reform, import and investment liberalization, protection of intellectual property rights, anti-corruption, labor rights, and environmental protection.

FOCUS ON RUSSIA AND THE NEWLY INDEPENDENT STATES (NIS)

As political and market reforms begin to take hold, the NIS, and particularly the Russian, market will offer enormous prospects for U.S. exports in coming decades. There are short-term prospects as well. U.S. exporters of manufactured goods have only about 5% of the roughly \$30 billion import market, but with U.S. government support their prospects for large near-term gains are impressive -- particularly in sectors such as oil and gas equipment, food processing, construction equipment, and medical devices. One focus of U.S. Government effort is the U.S.-Russia Business Development Committee (BDC), co-chaired by Secretary Brown and Russian Deputy Prime Minister Shokhin. (This group reports, on the American side, to Vice-President Gore.) Planning is underway for a BDC session early next year. The BDC is an interagency committee on both sides, and in addition to the Department of Commerce, includes the Departments of State, Energy, Agriculture and Treasury, as well as the Office of the U.S. Trade Representative, the National Security Council, Exim Bank, the Trade and Development Agency, and the Overseas Private Investment Corporation. Major initiatives flowing from the BDC include a focus on facilitating individual projects, such as major oil and gas projects; efforts to improve the Russian commercial climate; and promotion and information activities. These include the establishment of American Business Centers to provide support to U.S. companies throughout the NIS, business development missions and matchmaking events, and a central information facility on market opportunities and U.S. Government export programs.

FOCUS ON THE MIDDLE EAST

U.S. trade and investment will play an increasingly important role in supporting U.S. foreign and national security interests in the Middle East. The ultimate success of the Israel-PLO Declaration of Principles, signed on the White House lawn on September 13, 1993, depends on the economic development of Gaza/Jericho, as well as of the West Bank as a whole and of neighboring countries. This economic development provides excellent opportunities for U.S. companies. In the near term, U.S. companies are well-positioned to participate in the major projects funded by the financial assistance pledged at the October 1, 1993, U.S.-sponsored donors' conference. To ensure economic growth and political development over the longer term, U.S. investment and joint ventures with private sector industrialists in Gaza, the West Bank, Israel, Egypt, and Jordan must follow.

TPCC member agencies are coordinating several commercial initiatives for this region. Exim Bank, OPIC, and TDA are already exploring opportunities in the region. In January 1994, Secretary Brown plans to visit Israel, Gaza/Jericho, Egypt, Jordan, and Saudi Arabia to address a wide range of U.S. economic interests. A small group of private sector business representatives will accompany him to Gaza/Jericho. The Secretary also plans to sign the memorandum of understanding to establish the U.S.-Israel Science and Technology Commission, then to co-chair the Commission's first meeting, and to open the meeting of the U.S.-Gulf Cooperation Council (GCC) Economic Dialogue. In February 1994, the Departments of Commerce and State will co-host a two-day regional business development seminar to bring together 250 U.S., Israeli, Palestinian and other Arab leaders. The seminar will focus on key business sectors which offer the most promise for regional commercial relationships (such as tourism, agribusiness, health care and information systems).

SOUTH AFRICA FOLLOW-UP

Follow-up to the 1993 trip will be accomplished through two central mechanisms: an interagency South Africa Task Force organized under the auspices of the TPCC and with authority to review all economic issues pertaining to South Africa; and a U.S.-South African Business Development Committee co-chaired by the Secretary of Commerce and South African Minister of Finance and comprised of business and labor representatives from both countries. The objective will be to establish a dialogue between the two business communities that will be passed on to the two governments. U.S. Government representation on the committee will come from TPCC agencies. In addition, the interagency South Africa Task Force will develop a variety of trade and investment missions, coordinate expanded financing opportunities for business in South Africa, and develop new initiatives to broaden our economic relationship.

FOCUS ON INDIA

The Commerce Department is developing for TPCC consideration a comprehensive country study on India, the last of the world's large emerging markets to begin opening its doors to trade and investment. Economic liberalization under way in India since July 1991 is providing excellent export opportunities. The United States is currently India's major trade and investment partner, absorbing 20% of India's exports and supplying 10% of its imports while holding one-fourth of actual total foreign investment in India and 40% of foreign investment approved during the last two years. While American firms are currently the dominant foreign presence in India, this position is being seriously challenged by aggressive commercial initiatives being undertaken by our major Asian and European competitors. To date, U.S. Government initiatives have not matched those of our competitors. Maintaining our present approach toward India will forfeit the current U.S. preeminence and constrain the ability of U.S. firms to exploit commercial opportunities being created by India's economic liberalization program.

U.S. Government support often plays a decisive role in the awarding of major contracts to American firms in India. The most promising areas are likely to be in the infrastructure sectors of power generation; petroleum exploration and development; transportation and telecommunications. Well-coordinated U.S. Government advocacy efforts must continue to be a key element of our commercial strategy. However, new initiatives should be undertaken to (1) heighten our dialogue with the Indian Government on commercial issues--including senior-level U.S. Government visits to India; (2) intensify cooperative efforts with state development agencies and trade associations; (3) insure that sufficient Exim Bank financing continues to be available to support U.S. bids on major projects; (4) and build a more commercially focused interagency effort that fully involves TDA, AID and others.

FOCUS ON GERMANY (AS HUB FOR EUROPE-WIDE TRADE PROMOTION)

While the big emerging markets in Asia and Latin America will occupy much of the TPCC's strategic focus in 1994, large industrialized markets also offer excellent prospects for increased U.S. exports. Germany is one such market, although like some of the developing markets cited earlier, it is one where U.S. exports are declining relative to our competitors. Nonetheless, Germany remains the second largest U.S. market in Europe. Its central location offers the opportunity to develop a pilot program for export promotion in the developed world that could be expanded to Western, Central, and Eastern Europe as well.

The Departments of Commerce and State -- with enthusiastic support and cooperation of Ambassador Holbrooke who took the initiative to present a variety of ideas -- have already had initial discussions on enhancing our commercial effort in Germany, and a number of steps aimed at enhancing our commercial presence are already under way. In addition, Commerce is preparing a study for TPCC review defining a broader commercial strategy that will include a number of elements, including: working with major German manufacturers, such as Siemens, Mercedes, BMW, to increase their purchases of American products; focusing on expanding

markets within Germany, such as the lucrative eastern Germany energy and infrastructure market; and capitalizing on opportunities created by the privatization process in eastern Germany.

FOLLOW-UP TO THE URUGUAY ROUND

Following completion of the Uruguay Round, we need to explain to the U.S. exporting community the new rules and opportunities that result from the just completed negotiations. This will entail an organized campaign, which, if mounted quickly, could also serve to build support for the agreement's ratification. USTR has already begun to organize an interagency effort to sell the Round and this could easily be expanded to encompass a tangible export promotion effort. As a first step, on December 20, Secretary Brown inaugurated a toll-free hotline to provide up-to-the-minute information on the impact of the new GATT on U.S. business. Key items of information available from the Hotline include "Flash Reports" providing a first look at the benefits of the Round for each of the 50 states and 15 major industry sectors. As more detailed information becomes available, the Hotline will be updated regularly. The Hotline can be reached by dialing 1-800-USA-TRADE.

SECTORAL INITIATIVES

In addition to geographic-based initiatives, the TPCC has begun identifying a number of sectoral efforts as well.

- Environment

As noted above, the November 1993 report, *Environmental Technologies Exports: Strategic Framework for U.S. Leadership*, outlines a series of recommendations aimed at increasing U.S. exports in this critical sector. These recommendations will form the work agenda for the TPCC Environmental Trade Working Group over the coming year, and include suggestions for improving coordination with the private sector on promoting environmental exports, identifying markets with high growth potential in this sector, and developing export promotion strategies for the sector. A particular focus will be on Latin America, with an initial focus on Mexico as a follow up to NAFTA.

- Other Major Sectors

The Commerce Department has begun a project to identify the top growth sectors for U.S. exports. We are calling them the "Big Emerging Sectors" to parallel our focus on "Big Emerging Markets." This analytic process will produce sectoral focuses to complement the geographic initiatives outlined above. Among the sectors considered in this review will be

information services, health care services, energy and electric power, and transportation, particularly aircraft, where we believe there is significant commercial potential. Next year, the TPCC will review the Commerce analysis as the basis for developing specific sectoral promotional initiatives.

- Tourism

Tourism is another growth sector identified in the TPCC report that we will explore in greater depth in 1994. Under the auspices of the Tourism Promotion Committee, a separate interagency group chaired by the Department of Commerce, a major review is under way along the lines of the original TPCC initiative. As results from this review come on-line, we will be working closely with the Committee to ensure complementarity with TPCC promotion efforts in the services area.

OTHER ISSUES

In 1994, the TPCC will examine issues not dealt with in detail in the September report. Trade in services, where the United States is particularly competitive, certainly merits attention. The relationship of investment to our trade promotion efforts will also be investigated. The TPCC will look at the possibility of expanding promotion support for legitimate defense-related sales to foreign governments.

COMMUNICATION

The TPCC Communication Plan which will be completed early in 1994 will encompass both a comprehensive communications program and an effort to ensure that all TPCC constituencies have the opportunity to shape the future development of strategies and mechanisms. The core constituencies identified in the program are the private sector, the Congress, the general public, state and local governments and the interagency community.

Outreach communications programs will include live events, information programs about new TPCC initiatives such as the Advocacy Center, the Export Assistance Centers, country strategies, and special regional and country-specific initiatives. The live events will be kicked off with a major event early in 1994 that is intended to become an annual business-government forum on the National Export Strategy and related issues.

In addition, regular meetings with the private sector will carry forward the tradition started early in the planning process that will ensure that TPCC programs are devised to meet the real needs of American businesses and to monitor the effectiveness of those programs in the eyes of the business community. State and local outreach will include work with major national organizations such as the National Governors Association and the National Conference on Mayors as well as through regional presentations.

INITIATIVES WITH STATE AND LOCAL PARTNERS

The TPCC would like to pursue export initiatives with our partners at the state and local levels.

- California Initiative: We are considering special export promotion efforts for California, which would complement the Administration's defense conversion and technology initiatives underway in this state. A California export initiative would help California high-tech and defense firms pursue export opportunities in the dynamic markets of Latin America and Asia-Pacific. TPCC programs that would be key elements of this initiative could include: "Export Mexico", the Pacific Partnership Trade Initiative, the new Los-Angeles Export Assistance Center, intensified advocacy efforts, and high level inter-agency trade missions.
- Columbus, Ohio Initiative: We are working with Columbus, Ohio, as it prepares to host 2500 participants in a major UN/private sector conference on trade efficiency and the expansion of global trade. The World Symposium on Trade Efficiency will have four separate, but interlinked parts: (1) the UN Symposium on Trade Efficiency bringing together Trade Ministers from around the world to discuss the uses of technology for trade; (2) an International Mayors' Conference allowing mayors for all countries to examine new public-private partnerships; (3) a Global Executive Trade Summit with an emphasis on CEOs from small- and medium-sized firms; and (4) a Global TECHTRADE show exhibiting a wide spectrum of technologies and applications for trade produced by many countries.
- Regional Organizations: We are also considering an experimental effort to forge a relationship with a major regional organization, such as the Pacific Northwest Economic Region (PNWER). Becoming a major player in the global marketplace often requires substantial populations. Recognizing the importance of "critical mass," five western states (and two Canadian provinces) formed a regional alliance to promote their exports jointly. Through a cooperative initiative with a group such as PNWER, the TPCC could leverage its resources broadly.

TUESDAY, MARCH 15, 1994.

**BUREAU OF EXPORT ADMINISTRATION; OPERATIONS
AND ADMINISTRATION**

WITNESSES

**BARRY E. CARTER, ACTING UNDER SECRETARY
WILLIAM A. REINSCH, SPECIAL ADVISOR TO THE SECRETARY
JOHN DESPRES, ASSISTANT SECRETARY FOR EXPORT ENFORCEMENT
SUE E. ECKERT, ASSISTANT SECRETARY FOR EXPORT ADMINISTRATION,
BUREAU OF EXPORT ADMINISTRATION
ROBERT F. KUGELMAN, DIRECTOR OF ADMINISTRATION
VICTOR MICIT, DIRECTOR, OFFICE OF BUDGET AND FINANCIAL MANAGEMENT
MARK E. BROWN, DIRECTOR, OFFICE OF BUDGET**

1995 BUDGET REQUEST

Mr. MORAN. The next hearing will be on the Bureau of Export Administration. The request for the Bureau of Export Administration is \$43,372,000. It is an increase of \$8.6 million above what was provided last year. We will insert the budget justification into the record at this point.

[The justification follows:]

(1197)

DEPARTMENT OF COMMERCE
BUREAU OF EXPORT ADMINISTRATION
Budget Estimates, Fiscal Year 1995
President's Submission

1198

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Department of Commerce

Bureau of Export Administration

Exhibit-1

**UNDER SECRETARY FOR
EXPORT ADMINISTRATION
DEPUTY UNDER SECRETARY**

**Assistant Secretary
for
Export Administration**

**Office of
Export Licensing**

**Office of Technology
and Policy Analysis**

**Office of
Foreign Availability**

**Office of
Industrial Resource
Administration**



**Assistant Secretary
for
Export Enforcement**

**Office of
Export Enforcement**

**Office of
Enforcement
Support**

**Office of
Antiboycott
Compliance**

**DEPARTMENT OF COMMERCE
BUREAU OF EXPORT ADMINISTRATION
Budget Estimates, Fiscal Year 1995
President's Submission**

Executive Summary

The Bureau of Export Administration's (BXA) budget request will enable it to meet the new responsibilities of the post-Cold War by maintaining an export control system that meets the needs of our changing world -- facilitating trade while at the same time safeguarding national security. BXA will maintain the Department's leadership in export control administration, enforcement, defense industrial base and antiboycott programs while removing unnecessary barriers and restrictions to trade. This will be achieved by supporting the Trade Promotion Coordinating Committee (TPCC) and the National Performance Review (NPR) recommendations to reform the federal export control system in our changing world. The Department's first priority for BXA is to "Open and expand foreign markets and increase U.S. exports." This will not happen if U.S. export controls are reactive, unnecessarily restrictive or inefficient. BXA supports the Department's export expansion efforts and the creation of export-related jobs by advocating workable export controls.

The Bureau of Export Administration's mission to promote national economic strength and security will be accomplished by:

- Developing export controls which protect national security without imposing unnecessary burdens or restriction on U.S. exporters;
- Implementing an accurate, fair, and responsive export licensing program;
- Aggressively detecting, deterring and investigating the illegal export of U.S. products;
- Enforcing the antiboycott provisions of the Export Administration Act;
- Promoting policies that ensure a strong, technologically superior defense industrial base;
- Assisting officials in newly emerging states and elsewhere to develop effective export control programs; and,

- Assisting Russia and other former Soviet states in converting their defense industries to productive peacetime efforts.

On February 24, 1994, the Administration proposed the first comprehensive change in 15 years to the Export Administration Act (EAA). For some 45 years, the EAA had been an essential tool to prevent dual-use technologies and commodities from contributing to the military capabilities of our adversaries. Now, however, the Secretary's concern is that the new legislation effectively responds to the dramatic changes in the world over the past several years.

The new legislation strikes the critical balance between nonproliferation concerns and economic interests in our export control regime. It recognizes the central and critical importance of economic security to our national security, and responds to the recommendations outlined in the Trade Promotion Coordinating Committee's National Export Strategy. The Administration believes that a properly constructed export control system can do much to stem the spread of weapons of mass destruction, and the missiles used for their delivery, without sacrificing U.S. interests in increasing exports, so that the trade deficit can be reduced and global competitiveness can be maintained. To balance economic interests and national security concerns the Administration will pursue the following objectives in the development of a new Export Administration Act:

- Encourage more effective multilateral regimes;
- Support economic security and increase discipline on unilateral controls;
- Improve our ability to prevent the proliferation of weapons of mass destruction;
- Simplify and streamline the export control system;
- Increase transparency in the export licensing process;
- Harmonize sanctions laws for missile technology and chemical and biological weapons; and,
- Strengthen enforcement.

Goals of the Program

The TPCC represents an inter-agency effort designed to improve export assistance programs and minimize impediments to export growth. Chaired by the Secretary, it solicited substantial input from the private sector to ensure that trade policies are coordinated and rational. It presented a broad work agenda for Commerce and other agencies and established the following goals for the Bureau of Export Administration as part of the National Export Strategy:

- Eliminate unnecessary and ineffective export controls;
- Ensure that U.S. economic interests receive greater attention in export control decisions;

- Create a more efficient, responsive, transparent, and effective export control process by streamlining the referral and review process thereby reducing the time required for processing licenses and resolving disputes;
- Clarify and simplify export control regulations;
- Level the playing field for U.S. trade and enhance the effectiveness of controls by pursuing multilateral controls and harmonizing implementation by participating countries; and,
- Help other countries develop effective export control regimes.

Assumptions About the Operating Environment

The major issues, problems and opportunities facing BXA and the Department during the next five years are:

- Threat of proliferation of weapons of mass destruction;
- Collapse of the "old" international export control structure (CoCom) and the need to create new ones;
- Need to develop a partnership with U.S. industry to adjust to shrinking defense budgets world-wide;
- Reform of the Export Administration System to account for the new international trade and security realities; and,
- Commerce will play a lead role in coordinating U.S. security and economic issues in the context of export controls.

Statement of Objectives

Management and Policy Coordination -- This activity includes the functions performed by the Office of the Under Secretary and supporting staff offices. This office coordinates and approves the policies relating to BXA's mandate. It provides executive direction to subordinate offices that develop various mission related studies, reports, and Congressional testimony. It coordinates and monitors participation in interagency staff activity and represents the Department of Commerce and U.S. Government in both the national and international fora. Public affairs and congressional liaison activities are also included in the functions of management and policy coordination, as is the overall management of BXA's overseas activities, the administrative appeals process, and the direction of BXA's Reinvention efforts. The Office

of the Under Secretary provides overall guidance to BXA efforts in support of the TPCC export growth initiatives and implementation of NPR recommendations. It also provides overall direction and guidance for BXA activities relating to Russian Defense Conversion and Foreign Technical Assistance.

Export Administration-- The primary objective of Export Administration (EA) is to protect the national security interests of the United States while not inhibiting U. S. industrial competitiveness in the global marketplace. This is achieved by managing efficient export control licensing and policy development processes. EA has the lead in implementing a number of the major reforms contained in the TPCC export growth initiatives.

Specific objectives of EA include: (1) implementing non-proliferation export controls on dual-use items; (2) educating industry on changes in export controls and auditing industry compliance programs; (3) working to strengthen multilateral export controls in cooperation with the State Department and other agencies; (4) streamlining export controls consistent with security requirements; (5) resolving interagency disputes over the disposition of individual licenses, and/or policy issues affecting a number of licenses for a specific commodity or to a specific destination; (6) providing information and assistance to the business community; and (7) working on a bilateral basis to strengthen export controls of individual countries that are not participants in multilateral groups in cooperation with State and other agencies.

In addition to national security controls, EA administers short supply controls on crude oil and forest products. Section 7 of the Export Administration Act requires BXA to maintain export controls on Alaskan North Slope crude oil and western red cedar harvested from public lands. Section 491 of the Forest Resources Conservation and Shortage Relief Amendments Act of 1993 requires the Secretary of Commerce to administer a total ban on the export of unprocessed timber harvested from state public lands in 17 western continental states.

Export Enforcement -- Export enforcement (EE) is concerned with preventing or detecting and prosecuting violators of the Export Administration Act. The emphasis on non-proliferation is achieved through a combination of education, oversight and law enforcement activities. The objectives of this program are to: (1) detect and prevent violations of the Export Administration Act by screening all license applications and by coordinating and conducting Pre-License Checks and Post Shipment Verifications on exports requiring Commerce Department validated licenses; (2) investigate alleged violations of the Export Administration Act by maintaining a corps of specialized professional criminal investigators pursuing both criminal and administrative sanctions including the denial of export privileges; (3) sensitize the business community to recognize possible violations and uncover illegal exports; (4) develop information on possible illegal export schemes by working with the U.S. intelligence community; (5) cooperate with U.S. and foreign law enforcement organizations in enforcement matters of mutual interest; (6) undertake a broad range of associated enforcement activities, including the detention, seizure, and forfeiture of commodities, and the arrest of violators; and (7) implement and enforce the antiboycott portions of the EAA through the encouragement of compliance by vigorous detection and prosecution of violators and energetic outreach to inform and monitor regulated parties. Efficient enforcement operations and appropriate outreach to business will support a range of TPCC objectives.

Industrial Resource Administration -- The objective of this activity is to ensure that U.S. defense-related industries are able to meet defense requirements. IRA works to ensure that economic, trade and technology impacts on the defense industrial base are given due consideration along side foreign policy and national security concerns. Activities include: (1) investigating the impact of imports on national security production capacity (Section 232); (2) assessing the financial, technological and production capabilities of critical defense-related industries; (3) ensuring that defense projects have access to scarce industrial resources; (4) analyzing the impact of military offset agreements on U.S. industrial competitiveness and consulting with allied countries to limit the adverse effects of offsets; (5) evaluating the impact of foreign direct investment on national security; (6) assessing the impact of defense memoranda of understanding on U.S. industry; (7) reviewing and making recommendations regarding the effect of Government laws and policies on defense exports; and (8) promoting industrial preparedness planning with our allies.

The Commerce Department is encouraging defense conversion in Russia and other newly independent states. The goals of this interagency effort are to reduce the threat of weapons proliferation and stimulate the development of the civilian sector of these economies. A major component of the U.S. strategy is to engage the U.S. private sector in the conversion effort through joint ventures. BXA is providing support in a number of areas. For example, the U.S. Russia Defense Conversion Subcommittee, co-chaired by BXA, has published three editions of the Russian Defense Business Directory to provide small and medium sized U.S. firms with information on defense enterprises in Russia that are seeking commercial relationships with U.S. firms. BXA and ITA also have other information programs underway such as Business Round Tables dealing with opportunities, obstacles and sources of assistance. Commerce is the primary liaison with U.S. industry for the Administration's U.S. Russia Committee on the Conversion of Defense Industry, and for similar committees that have been or are being created separately between the U.S. Government and Ukraine, Kazakhstan, and Belarus. The Under Secretary of Defense has been chairing the U.S. delegations, and BXA's Under Secretary serves as the vice-chair.

The U.S.-Russia Committee has developed an assistance program to distribute competitive grants to defense conversion projects between U.S. firms and mutually-selected Russian defense enterprises. The Russian enterprises selected were involved in the production of items related to weapons of mass destruction. Working closely with ITA and Defense, BXA will continue its foreign defense conversion activities.

Summary of Proposed Resources

Management and Policy Coordination -- \$1,563,000 and 16 positions are requested for this activity. The request includes \$81,000 in adjustments-to-base. No program increases are being requested for this activity.

Export Administration -- \$21,458,000 and 180 positions are requested for this activity. The request includes \$671,000 in adjustments-to-base and program changes totalling 35 positions and \$4,121,000. The following are the changes requested:

- **Trade Promotion Coordinating Committee (TPCC) Initiative (39 positions, 29 FTE and \$4,404,000).** This increase will enable BXA to promote U.S. exports through the reform of the export control system by removing or reducing unnecessary government-imposed obstacles. As described in the detailed justification, this program increase will permit acquisition of technical experts (nuclear, chemical, biological, aerospace) required to develop and administer the evolving non-proliferation regimes. BXA currently has significant staffing gaps in these disciplines. The proposed FY 1995 increase would also provide staff resources for the provision of export control technical assistance to the newly independent states of the former Soviet Union and other countries of proliferation concerns. The goal is to help these countries design and implement export control systems which meet multilateral "common standards as a pre-condition for approving the export of higher levels of technology to these countries. Finally, in keeping with TPCC and NPR recommendations, resources are being requested to expedite license processing and control list reviews, and to improve BXA's system linkage with other U.S. licensing agencies.

- **Personnel and Administrative Savings (-4 positions, -4 FTE and -\$283,000).** A decrease that reflects the guidance contained in the President's Executive Order to reduce Federal Positions and implement Productivity Improvements in the Administration of the Federal Government.

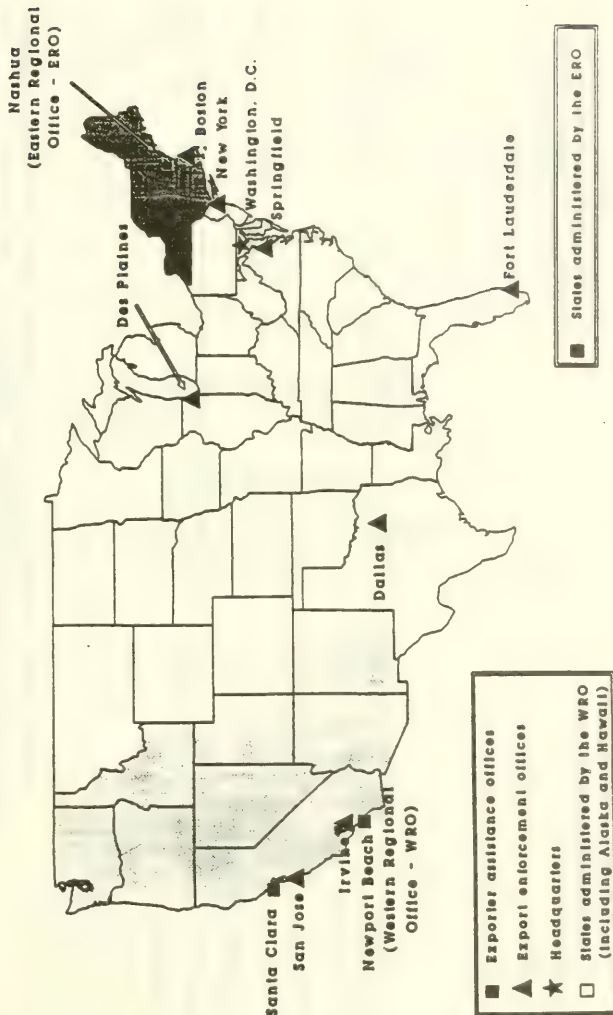
Export Enforcement -- \$18,175,000 and 151 positions are requested for this activity. This request includes \$575,000 in adjustments-to-base and program changes totalling 25 positions and \$3,090,000. The following are the changes requested:

- **Fully Staffed Enforcement Field Offices (28 positions, 21 FTE and \$3,299,000).** An increase is necessary to bring the Office of Export Enforcement field offices back to the level where they can meet mandated responsibilities. Since 1988, the export enforcement program has been reduced to almost half its former size. Operational effectiveness has eroded as field office staff has been reduced. Unless this trend is reversed, many of the problems documented by the Congress and the GAO during the 1980s will reappear in FY 1995. This increase is essential to maintain the integrity of BXA's enforcement operation.

- **Personnel and Administrative Savings (-3 positions, -3 FTE and -\$209,000).** A decrease that reflects the guidance contained in the President's Executive Order to reduce Federal Positions and implement Productivity Improvements in the Administration of the Federal Government.

Industrial Resource Administration -- \$2,176,000 and 19 positions are requested for this activity. The request includes \$87,000 in adjustments-to-base. No program increases are being requested for this activity.

Bureau of Export Administration Domestic Field Structure



Department of Commerce Bureau of Export Administration Operations and Administration Summary of Resource Requirements

(Dollar amounts in thousands)

Page
No.

Amount available for FY 1994 as shown in 1995 President's Budget

less: Unobligated balance from prior year

Appropriation, 1994

plus: 1995 Adjustments to base

1995 Base

plus: 1995 Personnel and Administrative Savings

plus: 1995 Program changes

1995 Estimate

| Positions | Budget Authority | FTE |
|-----------|------------------|-----|
| 306 | \$39,706 | 306 |
| 0 | (4,959) | 0 |
| 306 | 34,747 | 306 |
| 0 | 1,414 | 0 |
| 306 | 36,161 | 306 |
| (7) | (492) | (7) |
| 67 | 7,703 | 50 |
| 366 | \$43,372 | 349 |

1994

| Comparison by Activity: | 1993 Actual | Currently Available | 1995 Base | 1995 Estimate | Increase/Decrease |
|-------------------------|-------------|---------------------|-----------|---------------|-------------------|
| | Personnel | Amount | Personnel | Amount | Personnel |

BXA-23 Management and Policy Coordination...Pos/BA

FTE/Obl.

BXA-29 Export Administration...Pos/BA

FTE/Obl.

BXA-61 Export Enforcement...Pos/BA

FTE/Obl.

BXA-63 Industrial Resource Administration...Pos/BA

FTE/Obl.

Direct Obligations...Pos/BA

FTE/Obl.

Adjustments to Obligations

Recoveries

Transferred from other accounts

Unobligated balance, start of year

Unobligated balance, transferred

Unobligated balance, end of year

Unobligated balance expiring

Appropriation

| | | | | | | | | | | |
|------------------------------------|-----|----------|-----|----------|-----|----------|-----|----------|----|---------|
| BXA-23 | 18 | \$1,648 | 16 | \$1,482 | 16 | \$1,563 | 16 | \$1,563 | 0 | \$0 |
| | 10 | 1,436 | 16 | 1,784 | 16 | | 16 | | 0 | |
| BXA-29 | 230 | 20,777 | 145 | 16,666 | 145 | 17,337 | 180 | 21,458 | 35 | 4,121 |
| | 206 | 19,140 | 145 | 19,065 | 145 | | 170 | | 25 | |
| BXA-61 | 154 | 15,961 | 126 | 14,510 | 126 | 15,085 | 151 | 18,175 | 25 | 3,090 |
| | 154 | 15,342 | 126 | 16,788 | 126 | | 144 | | 18 | |
| BXA-63 | 28 | 2,629 | 19 | 2,089 | 19 | 2,176 | 19 | 2,176 | 0 | 0 |
| | 28 | 2,465 | 19 | 2,089 | 19 | | 19 | | 0 | |
| Direct Obligations | 430 | \$41,015 | 306 | \$34,747 | 306 | \$36,161 | 366 | \$43,372 | 60 | \$7,211 |
| | 398 | \$38,403 | 306 | \$39,706 | 306 | | 349 | | 43 | -- |
| Adjustments to Obligations | | (960) | | | | | | | | |
| Recoveries | | 0 | | | | | | | | |
| Transferred from other accounts | | (1,387) | | (4,959) | | | | | | |
| Unobligated balance, start of year | | 0 | | | | | | | | |
| Unobligated balance, transferred | | 4,959 | | | | | | | | |
| Unobligated balance, end of year | | 0 | | | | | | | | |
| Unobligated balance expiring | | 0 | | | | | | | | |
| Appropriation | 398 | \$41,015 | 306 | \$34,747 | 306 | \$36,161 | 349 | \$43,372 | 43 | \$7,211 |

Department of Commerce
Bureau of Export Administration
Operations and Administration
Summary of Financing
(Dollar amounts in thousands)

1209

| | 1993
Actual
Amount | 1994
Currently
Available | 1995
Base
Amount | 1995
Estimate
Amount | Increase/
Decrease
Amount |
|---|--------------------------|--------------------------------|------------------------|----------------------------|---------------------------------|
| Total Obligations | \$38,692 | \$42,106 | \$36,661 | 43,872 | \$7,211 |
| Financing: | | | | | |
| Offsetting collections from: | | | | | |
| Federal funds..... | 0 | 0 | 0 | 0 | 0 |
| Trust funds..... | (289) | (2,400) | (500) | (500) | 0 |
| Non-Federal sources..... | 0 | 0 | 0 | 0 | 0 |
| Recovery of prior year obligations..... | (960) | 0 | 0 | 0 | 0 |
| Unobligated balance, start of year..... | (1,387) | (4,959) | 0 | 0 | 0 |
| Unobligated balance, end of year..... | <u>4,959</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Budget Authority..... | 41,015 | 34,747 | 36,161 | 43,372 | 7,211 |
| Financing: | | | | | |
| Transfer from other accounts..... | 0 | 0 | 0 | 0 | 0 |
| Transfer to other accounts..... | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Appropriation..... | \$41,015 | \$34,747 | \$36,161 | \$43,372 | \$7,211 |

Department of Commerce
Bureau of Export Administration
Operations and Administration
Adjustments to Base
(Dollar amounts in thousands)

| | <u>Pos.</u> | <u>FTE</u> | <u>Amount</u> |
|--|-------------|------------|---------------|
| Other Changes: | | | |
| Pay Raises and Related Costs | 0 | 0 | \$1,053 |
| With-in-Grade Step Increase | 0 | 0 | 313 |
| One Less Compensable Day | 0 | 0 | -67 |
| Civil Service Retirement System (CSRS) | 0 | 0 | 7 |
| Federal Employees Retirement System (FERS) | 0 | 0 | -97 |
| Thrift Savings Plan | 0 | 0 | -1 |
| Federal Insurance Contributions Act (FICA) | 0 | 0 | 1 |
| Health Insurance | 0 | 0 | 82 |
| Employees Compensation Fund | 0 | 0 | -8 |
| Rental Payments to GSA | 0 | 0 | 91 |
| Rental Payments to Others | 0 | 0 | 14 |
| Printing and Reproduction | 0 | 0 | 8 |
| Working Capital Fund | 0 | 0 | 12 |
| Supplies and Materials | 0 | 0 | 5 |
| Equipment | <u>0</u> | <u>0</u> | <u>1</u> |
| Total, Adjustments to Base | 0 | 0 | \$1,414 |

Department of Commerce
Bureau of Export Administration
Operations and Administration
Justification of Adjustments to Base
(Direct Obligations in thousands)

| FTE | Amount |
|-----|---------|
| 0 | \$1,053 |

Pay Raises and Related Costs

A locality pay raise was implemented in January 1994.

| | |
|--|-----------|
| Total cost in 1995 of 1994 locality pay raise..... | \$667,000 |
| Less amount funded in 1994..... | 0 |
| Less amount absorbed in 1995..... | 0 |
| Amount requested in 1995 to provide full-year cost of 1994 locality pay raise..... | 667,000 |
| Payment to the Working Capital Fund..... | 141,000 |
| Total, Adjustment for 1994 locality pay raise..... | \$808,000 |

A general pay raise of 1.6% is assumed to be effective January 1, 1995.

| | |
|--|-----------|
| Total cost in 1995 for pay raise..... | \$205,000 |
| Less amount absorbed in 1995..... | 0 |
| Amount requested..... | 205,000 |
| Payment to the Working Capital Fund..... | 40,000 |
| Total, Adjustment for 1995 pay increase..... | \$245,000 |

Within - Grade Step Increase

| | |
|---|-----|
| 0 | 313 |
|---|-----|

An increase of \$313,024 is requested to cover the cost of within grade step increases. This estimate reflects the net cost of step increases including merit pay increases which will be earned in 1995.

| | |
|--|-----------|
| Estimated number of within-grade step increases..... | 256 |
| Step increases not earned due to turnover (15.1% X 256)..... | 39 |
| Average step above step 1 per separation..... | 2 |
| Average cost per within-grade step increase..... | \$1,353 |
| Gross cost of scheduled step increases (\$1,353 X 256)..... | 346,368 |
| Less savings due to separations (\$1,353 X 39 X 2)..... | (105,534) |
| Subtotal, personnel compensation..... | 240,834 |
| Benefits..... | 72,190 |
| Total adjustment - to - base..... | \$313,024 |

FTE Amount

One Less Compensable Day

0 (67)

There is one less compensable day in 1995 (260) than in 1994 (261). The amount of savings was calculated by dividing the 1994 estimate for personnel compensation and applicable benefits by 261. The cost decrease of one less compensable day is -\$67,065.

| | |
|--|-----------------|
| 11.0 Personnel Compensation | |
| 11.1 Full-time permanent | \$14,967,000 |
| 11.3 Other than full-time permanent | 200,000 |
| 11.5 Overtime | 0 |
| Total Personnel Compensation | 15,167,000 |
| Compensable days in 1994 | 261 |
| Total Personnel Compensation for one less compensable day | (58,111) |
| 12.0 Benefits | |
| Civil Service Retirement System | 669,000 |
| Federal Employees' Retirement System | 958,000 |
| Thrift Savings Plan | 227,000 |
| Federal Insurance Contributions Act | 451,000 |
| Life Insurance | 32,000 |
| Total Benefits | 2,337,000 |
| Compensable days in 1994 | 261 |
| Total Benefits for one less compensable day | (8,954) |
| Total, Adjustment for one less compensable day | (67,065) |

Civil Service Retirement System (CSRS)

0 7

The number of employees covered by the Civil Service Retirement System (CSRS) continued to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 53.80 percent in 1994 to 49.00 percent in 1995 for regular employees. For law enforcement, the number of employees covered by CSRS will increase from 53.8 percent in 1994 to 75.6 percent in 1995. Contribution rates will remain the same.

| | |
|---|-----------------|
| Regular Employees: | |
| CSRS Cost in 1994 (\$12,078,000 x .5380 x .070) | 454,857 |
| CSRS Cost in 1995 (\$12,078,000 x .4900 x .070) | 414,275 |
| Decrease in CSRS costs for Regular Employees | (40,582) |

FTE Amount

Civil Service Retirement System (CSRS) continued

| | |
|--|---------|
| Law Enforcement Officers: | |
| CSRS Cost in 1994 (\$2,889,000 x .5380 x .075) | 116,571 |
| CSRS Cost in 1995 (\$2,889,000 x .7560 x .075) | 163,806 |
| Increase in CSRS costs for Law Enforcement Employees | 47,235 |
| Total adjustment - to - base | 6,653 |

Federal Employees' Retirement System (FERS)

The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 46.20 percent to 51.0 percent in 1995 for regular employees. The estimated percentage of payroll for law enforcement employees covered by FERS will decrease from 46.20 percent in 1994 to 24.40 percent in 1995. The contribution rates will remain the same.

| | |
|--|-----------|
| Regular Employees: | |
| FERS cost in 1994 (\$12,078,000 x .4620 x .1290) | 719,825 |
| FERS cost in 1995 (\$12,078,000 x .5100 x .1290) | 794,612 |
| Increase for Regular Employees | 74,787 |
| Law Enforcement Agents: | |
| FERS cost in 1994 (\$2,889,000 x .4620 x .2730) | 364,378 |
| FERS cost in 1995 (\$2,889,000 x .2440 x .2730) | 192,442 |
| Decrease for Law Enforcement Agents | (171,936) |
| Total adjustment - to - base | (97,149) |

Thrift Savings Plan

The cost of BXA's contribution to the Thrift Savings Plan is expected to rise as FERS participation increases for regular employees and is expected to decrease for law enforcement. The contribution rate is expected to remain 2 percent.

| | |
|---|---------|
| Regular Employees: | |
| Cost in 1994 (\$12,078,000 x .4620 x .02) | 111,601 |
| Cost in 1995 (\$12,078,000 x .5100 x .02) | 123,196 |
| Increase for Regular Employees | 11,595 |

FTE Amount

Thrift Savings Plan continued

| | |
|---|-----------------|
| <u>Law Enforcement Agents:</u> | |
| FERS cost in 1994 (\$2,889,000 x .4620 x .02) | 26,694 |
| FERS cost in 1995 (\$2,889,000 x .2440 x .02) | 14,098 |
| <u>Decrease for Law Enforcement Agents</u> | <u>(12,596)</u> |
| Total adjustment - to - base | (1,001) |

Federal Insurance Contributions Act (FICA)

As the percentage of payroll covered by FERS increases, the cost of OASDI contributions will increase. The maximum salary subject to OASDI tax will rise from \$60,150 to \$61,050 in 1995. The OASDI tax rate will remain at 6.2% in 1995.

| | |
|---|-----------------|
| <u>Regular Employees:</u> | |
| 1994 \$12,078,000 x .4620 x .9511 x .0620 | 329,045 |
| 1995 \$12,078,000 x .5100 x .9690 x .0620 | 370,067 |
| <u>Subtotal</u> | <u>41,022</u> |
| <u>Law Enforcement Agents:</u> | |
| 1994 \$2,889,000 x .4620 x .9903 x .0620 | 81,950 |
| 1995 \$2,889,000 x .2440 x .9340 x .0620 | 40,820 |
| <u>Subtotal</u> | <u>(41,130)</u> |
| <u>Other than Permanents:</u> | |
| 1993 \$874,000 x 1.00 x .9511 x .0620 | 51,538 |
| 1995 \$874,000 x 1.00 x .9690 x .0620 | 52,508 |
| <u>Subtotal</u> | <u>970</u> |
| Total adjustment - to - base | 862 |

Health Insurance Premium

This agency's contribution to Federal employees' health insurance premiums increased 8.6 percent. Applied against the 1994 estimate of \$950,000, an additional amount of \$81,700 is requested.

FTE Amount

| | | |
|---|---|---------|
| Employees Compensation Fund | 0 | (8) |
| The Employee's Compensation Fund bill for BXA for the year ending June 30, 1993 is \$8,000 less than the bill for the year ending June 30, 1992. The charges will be reimbursed to the Department of Labor in FY 1995, pursuant to 5 U.S.C. 8147. | | |
| Rental Payments to GSA | 0 | 91 |
| An increase of \$90,807 is required to reflect the latest fiscal year GSA rent estimate from the Office of Federal Property Programs for rent at the Hoover Building. | | |
| Rental Payments to Others | 0 | 14 |
| An increase of \$14,026 is required to reflect the latest FY 1995 parking estimate from the Office of Federal Property Programs for parking costs at the Hoover Building for BXA personnel. | | |
| Printing and Reproduction | 0 | 8 |
| GPO has provided an estimated rate increase of 3.0% in 1995. This percentage was applied to the 1994 estimate of \$262,000 to arrive at an increase of \$7,860. | | |
| Working Capital Fund | 0 | 12 |
| An additional \$12,000 is requested to fund cost increases in the General Administration's Working Capital Fund. | | |
| Supplies and Materials | 0 | 5 |
| Based on the GNP deflator of 2.8%, the cost of supplies and materials is expected to increase by \$5,320 from the 1994 estimate of \$190,000. | | |
| Equipment | 0 | 1 |
| Based on the GNP deflator of 2.8%, the cost of equipment is expected to increase by \$1,400 from the 1994 estimate of \$55,000. | | |
| Total, Adjustment to Base and Built-In-Changes | 0 | \$1,414 |

BXA-21

Department of Commerce
Bureau of Export Administration
Operations and Administration
Program and Performance: Direct Obligations
(Dollar amounts in thousands)

| | 1993
Actual | | 1994
Currently
Available | | 1995
Base | | 1995
Estimate | | Increase/
Decrease | |
|---|----------------|---------|--------------------------------|---------|--------------|---------|------------------|---------|-----------------------|--------|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| Budget Activity | | | | | | | | | | |
| Management and Policy Coordination..... Pos./B.A. | 16 | \$1,648 | 16 | \$1,482 | 16 | \$1,563 | 16 | \$1,563 | 0 | \$0 |
| FTE/Obl. | 9 | 1,436 | 16 | 1,784 | 16 | | 16 | | 0 | |

Department of Commerce
Bureau of Export Administration
Operations and Administration
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Management and Policy Coordination

Goals and Objectives

Goal: To provide executive direction and policy guidance necessary for the effective administration of U.S. export control laws and defense industrial base authorities.

Objectives: Pursuant to the Export Administration Act of 1979, as amended, the Defense Production Act of 1950, as amended, and other applicable statutes, the objectives of this activity are to: develop, implement and enforce export controls for reasons of national security, foreign policy and short supply; expedite decontrol of non-critical commodities; establish multilateral control and enforcement regimes; take prompt, aggressive action against violations of U.S. export control statutes; harmonize export control programs with our allies; oppose restrictive trade practices or boycotts; and develop/implement sound policies relating to the U.S. defense industrial base.

Base Program

This activity funds the Office of the Under Secretary for Export Administration and supporting offices. BXA officials provide management and policy guidance to the Assistant Secretaries responsible for the operation of statutory export control, export enforcement and defense industrial base programs. The Management and Policy Coordination portion of BXA's budget funds a system of integrated functions and activities that directly support important national goals. Ongoing responsibilities of this activity include:

- Providing management and policy guidance;
- Performing oversight of program operations and expenditures;

- Establishing the Bureau of Export Administration's (BXA) overall policy agenda;
- Setting management objectives to be pursued by the operating units and evaluating the performance of these units;
- Providing policy support to the Secretary of Commerce on matters relating to BXA's statutory responsibilities;
- Carrying out a select number of high-level policy and program initiatives each year which generally involve other governments, other executive agencies, or the intelligence community;
- Preparing reports, Congressional testimony, etc. relating to BXA activities;
- Representing the Department in ongoing dialogues with other agencies such as the Defense Department, the U.S. Customs Service, the State Department, the Energy Department, the National Security Council and the U.S. Trade Representative on export control issues;
- Providing leadership to international negotiations at the Coordinating Committee on Multilateral Export Controls (CoCom) and its successor regime, the Missile Technology Control Regime (MTCR), the Nuclear Suppliers Group (NSG), the Australia Group and the Supercomputer Suppliers Arrangement;
- Adjudicating appeals of licensing and enforcement decisions as part of an extended legal process involving Departmental Administrative Law Judges and the Office of the General Counsel;
- Conducting Congressional liaison and public information programs; and,
- Providing guidance and coordinating BXA's program for foreign technical assistance and defense conversion in the newly independent states.

The Office of the Under Secretary provides overall guidance and direction to key initiatives which are being conducted by BXA as part of the President's agenda of reforms within the National Export Strategy. These initiatives include:

- Reauthorization of the Export Administration Act;
- Reconstruction of multilateral export control regimes;
- Streamlined and harmonized export controls;
- Effective non-proliferation safeguards;

- Expedited license processing;
- Better interagency coordination of licensing and enforcement programs; and,
- Sustained technical assistance in export control development and defense conversion in the Newly Independent States.

**Department of Commerce
Bureau of Export Administration
Operations and Administration
Program and Performance: Direct Obligations**

(Dollar amounts in thousands)

| Budget Activity | 1993 Actual | | 1994 Currently Available | | 1995 Base | | 1995 Estimate | | Increase/Decrease | |
|----------------------------|-------------|----------|--------------------------|----------|-----------|----------|---------------|----------|-------------------|---------|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| | | | | | | | | | | |
| Export Administration..... | 230 | \$20,777 | 145 | \$16,666 | 145 | \$17,337 | 180 | \$21,458 | 35 | \$4,121 |
| FTE/Obl. | 208 | 19,140 | 145 | 19,065 | 145 | | 170 | | 25 | |

Department of Commerce
Bureau of Export Administration
Operations and Administration
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Export Administration

Goals and Objectives

Goal: To safeguard U.S. national security, nonproliferation and trade interests through effective administration of U.S. export control laws relating to dual use technologies and weapons of mass destruction.

Objectives: Pursuant to the Export Administration Act of 1979, as amended, (the Act), the objectives of this activity are to develop and implement export controls; expedite decontrol of non-critical commodities; harmonize export control programs among our allies; continuously improve license application analysis and ensure knowledge of U.S. export regulations by the business community.

Base Program

Export Administration (EA) exercises licensing jurisdiction over the export of dual-use commodities and technical data from the United States and the re-export of these commodities and technical data from foreign destinations as authorized by the Act. Exports of commodities or technical data for which there are strategic or foreign policy concerns require formal authorization through issuance of an export license. EA controls exports by means of a general, validated, or special licenses.

The volume of license applications dealing with East-West Trade, the simplest to process, has declined. License applications related to preventing the proliferation of nuclear, chemical and biological weapons and missile systems and to counter international terrorism present a new challenge to the United States. In this post-Cold War environment application processing requires closer licensing consultation with exporters and more extensive communications with advisory agencies. These applications must be closely coordinated with other agencies

and with senior management. The volume of these types of applications is increasing as U.S. companies export more to the emerging democracies in Eastern Europe, the Newly Independent States (NIS) of the former Soviet Union, and other countries and regions of concern. The major activities undertaken by EA are listed below:

- Interpreting and applying policies and procedures in the review and analysis of export license applications;
- Providing clear and concise guidance on policies developed to contain the proliferation of missiles, nuclear, chemical and biological weapons;
- Identifying and analyzing transactions posing significant technical and/or policy problems;
- Resolving interagency disputes over the disposition of individual licenses, and/or policy issues affecting a number of licenses for a specific commodity or to a specific destination;
- Preparing statutory reports on export control activities for submission to the President and to the Congress;
- Developing and publishing export control regulations and procedures;
- Providing support for Government/Industry Technical Advisory Committees (chartered under the Act);
- Issuing export licensing guidance for BXA's Office of Export Enforcement (OEE), Customs Service agents, and U.S. and Foreign Commercial Service Officers;
- Providing technical and policy support for bilateral and multilateral export control negotiations;
- Providing the business community assistance through seminars, responses to inquiries and publications by BXA's Exporter Counselling staff at headquarters, the Western Regional Office (WRO) and the Eastern Regional Office (ERO);
- Providing commodity classification reviews (to determine which items are subject to export control) as well as providing advisory opinions to exporters;
- Conducting foreign and domestic systems reviews of special license holders (to ensure compliance with the Export Administration Regulations);

- Administering short supply restrictions on the export of domestically produced crude oil, western red cedar timber harvested from public lands and unprocessed timber harvested from state public lands in 17 western continental states;
- Conducting foreign availability analyses to determine whether non-U.S. source items of comparable quality are available-in-fact in sufficient quantity so as to render U.S. export controls ineffective;
- Publishing the Defense Conversion Business Directories to advise the U.S. business community of opportunities/obstacles regarding trade and investment possibilities in the conversion of NIS military enterprises to civilian production;
- Providing technical assistance for export control development in the NIS.

The EA activity is comprised of four program areas including the Assistant Secretary, Export Licensing, Technology and Policy Analysis and Foreign Availability. Collectively, these units carryout an integrated set of program activities which implement statutory requirements and support national goals.

Office of the Assistant Secretary (OAS): This office reviews and approves policy initiatives developed by its operating managers and provides management direction to operating units. It approves the publication of regulatory changes to the Export Administration Regulations, serves as a senior level point of contact for BXA's advisory committee structure, manages interagency disputes over the disposition of export licenses for "dual-use" commodities and technologies and adjudicates exporters' appeals from adverse licensing decisions in accordance with procedures established by Presidential Directive and Department Order. OAS chairs the Assistant Secretary level Advisory Committee on Export Policy (ACEP), provides staff support to chair the Operating Committee, and acts as the Executive Secretary for the Cabinet-Level Export Administration Review Board (EARB), which is chaired by the Secretary of Commerce. This interagency structure addresses complex and disputed exports with escalation to the President when necessary.

Export Licensing: Export Licensing (OEL) is the focal point in BXA for the analysis, interpretation and decision making on all export and re-export licensing transactions of controlled exports for reasons of national security and foreign policy. Dual-use commodities (i.e. items having civil as well as military applications) require formal authorization from OEL prior to shipment. OEL consults with the Departments of State, Energy, Defense, the intelligence community and the Nuclear Regulatory Commission as required by statute, Executive Orders or Interagency Agreements. OEL provides guidance on the policies implemented by the U.S. on non-proliferation, including assistance to the business community on compliance. To this end, OEL works in partnership with industry to stem the flow of products and technology to proliferators or diverters. OEL works with the U.S. exporting community to structure approvable transactions within existing regulatory and policy guidelines. OEL will continue its efforts to promote the Administration's initiative to enhance export competitiveness through the decontrol of low level, nonstrategic commodities. For example, because of enhancements to export control programs guarding against diversion and unauthorized uses, licensing to Russia has increased 153% between the first quarter of FY 1992

and the first quarter of FY 1993. With continued enhancements of export control programs, it is not difficult to foresee that, with more than 280 million people, rich natural resources and massive industry, the NIS have the potential to become large growth markets of the 21st century.

OEL is responsible for providing clear guidance on the non-proliferation policies of the U.S. OEL provides guidelines for exporters to follow in establishing an Export Management System (EMS) (i.e. industry compliance programs). The EMS helps companies reduce the risk of doing business with end-users involved in missiles, nuclear, biological or chemical weapons. OEL incorporates EMS instruction into its extensive seminar program and provides printed information on the subject.

OEL administers a broad special licensing regime which grants authority for multiple shipments to pre-approved overseas consignees for a variety of end-uses and re-export territories. A number of different special licenses are available, depending on the exporting scenario (e.g., resale in the form received, incorporation into foreign-made products, capital expansion project, servicing, bulk special chemical shipments, etc.). Foremost is the Distribution License that authorizes exports of certain commodities under an international marketing program. Because of the high volume of shipments and extended life of these special licenses, an extensive foreign and domestic review process is conducted to ensure adherence to applicable regulatory procedures, conditions, and policies.

With manufacturing continuing to move towards "globalization," companies are creating international assembly lines incorporating U.S. parts that may be initiated in the U.S. or abroad. The products move from company to company as each performs its particular function until they have jointly produced the end product for marketing. Special Licensing's mission is to be a flexible and proactive mechanism capable of anticipating and adapting rapidly to world events and international trends in order to regulate, but not impede U.S. businesses. OEL continues to provide technical and licensing assistance through the development of special authorizations to assist Russia, Belarus, Ukraine and Kazakhstan in the destruction of their strategic nuclear delivery vehicles and their nuclear and chemical weapons. Equipment needed for this dismantlement project can be exported under the authorization for a period of up to 10 years.

OEL is responsible for coordinating BXA's outreach program to the domestic and international business community and ensuring that domestic and international businesses, as well as foreign and Federal officials, comply with the Export Administration Regulations (EAR). This is achieved through a multi-faceted outreach program consisting of publications; domestic and foreign seminars and workshops (Export Seminar Program); direct access to its Export Counseling Division in Washington, D.C.; and a foreign visitors briefing program. It is through these efforts that EAR compliance is promoted and that national and international businesses and officials are informed on export issues and licensing.

The Western Regional Office (WRO) is an integral part of OEL's outreach program. The office provides regulatory, legislative and policy guidance on a host of national security and foreign policy-based trade regulations. Additionally, WRO conducts export compliance reviews

on Distribution License holders and serves as the principal point of contact for the international trade community throughout 11 western states.

The regional office, in cooperation with other Federal and State organizations, offers an extensive seminar schedule covering widely divergent issues: from defense conversion to Arab Boycotts, from licensing munitions exports to export management systems. The Western Regional office also acts as liaison for the Secretary's pilot program for defense conversion in California and houses US&FCS Branch offices in Newport Beach and Santa Clara to provide one-stop shopping for regulatory, technology transfer and trade promotion services.

Technology and Policy Analysis: One of the President's goals emphasized by the Secretary in his Strategic Vision for the Department is to increase the competitiveness of U.S. products worldwide, resulting in higher levels of exports and, consequently, a more favorable balance of trade. To achieve this goal, our export control regime for dual-use technology must become more streamlined, focused, and effective. It is in the Office of Technology and Policy Analysis that these U.S. export policy objectives become Commerce Department policy directives. Composed of senior engineers knowledgeable in highly advanced, state-of-the-art, technologies, and policy analysts with expertise in the many multilateral control regimes in which the United States is a member, this unit translates export policy goals into concrete policy actions. U.S. export policy is dynamic, and OTPA is the platform where the implications of U.S. export policy are debated unilaterally with our sister agencies, multilaterally with our trading partners, and nationally with U.S. industry.

U.S. export controls are primarily multilateral, and OTPA represents the Department in all of the multilateral control regimes in which the United States is a member: the Coordinating Committee for Multilateral Export Controls (CoCom) which focuses on a broad range of commodity controls for mutual (national) security; the Australia Group which is concerned with controls on chemical and biological agents that can be used in warfare; the Missile Technology Control Regime which seeks to impose curbs on weapons of mass destruction; the Nuclear Suppliers Group which has agreed to guidelines on the transfer of nuclear equipment, materials, and technology; and the Supercomputer Control Regime, which seeks agreement on controls on the use and end users of supercomputers. Technical expertise is particularly critical to the adoption of U.S. positions on high technology items, and OTPA's skilled engineering staff directly contributes to this major effort.

Industry input is also key to developing effective, clearly defined multilateral export control policies, and OTPA is the focal point for industry participation in the policy process. Industry representatives provide direct input to decisions on the revision, recision, and imposition of policy directives in the Technology Advisory Committees (TACs). The TACs are composed of industry and government members, with an OTPA coordinator assigned to each. The TACs consider policy proposals initiated both by the Administration and by industry representatives. Industry also plays a role in the interagency review process through the Technical Task Groups (TTG) where U.S. government positions on multilateral controls are finalized. The impact of any proposal on the economic viability of the industry it will affect is a key consideration of the TACs and TTGs.

OTPA is the only group which provides a voice for industry in the senior interagency review process on export licensing. License applications for shipments of new, state-of-the-art equipment to newly emerging markets that pose interagency policy concerns are elevated for interagency consideration. OTPA aids Commerce in reaching a policy position by seeking the views of the affected industry, weighing the economic cost to the affected company and the U.S. industrial base as a whole and giving insight into national security concerns and/or foreign policy implications. Dispute resolution in the export licensing arena can be directed to a single transaction affecting one company or a single technology affecting an entire industry. Exporters may also appeal an adverse licensing decision made by OEL to OTPA, and seek a reversal of the license denial. OTPA provides the OAS/EA with senior level technical and policy input to the dispute resolution and is the final licensing review authority in the appeal process, recommending final action to the Under Secretary. In doing so, OTPA seeks a balanced approach to licensing issues.

The maintenance of a "level playing field" on which U.S. industry can compete worldwide is also addressed by OTPA. OTPA is actively engaged in educating and assisting developing countries and the former Soviet Union to create export control programs that are comparable to the United States as a new means of increasing trade. Once these control regimes are in place, U.S. controls on exports to these nations can be relaxed, and U.S. exporters can compete on a "level playing field" with our trading partners, already doing business in these emerging markets. Not only is our national security enhanced by these efforts, but our industries ultimately benefit from the opportunity to compete globally in markets that are presently restricted.

OTPA also provides direct assistance to exporters in their efforts to market U.S. goods abroad. Upon request, OTPA provides exporters with binding, written opinions on the export control restrictions that apply to their commodities. Individuals new to the export market, as well as those exporters marketing, new, innovative products, are the most frequent users of this service. OTPA issues classifications that are commodity-specific; a single classification may apply to many shipments. Advisory opinions, also provided by OTPA, are transaction-specific, and typically cover a major export transaction, such as the shipment of an entire manufacturing line or physical plant, to a specific end user. Advisory opinions provide advice to exporters on the likelihood of approval of major projects, and when appropriate, may suggest changes in specific items that will ensure a favorable review. End users frequently request that U.S. exporters obtain advisory opinions from OTPA to demonstrate their ability to fulfill a proposed contract. A positive response to an advisory opinion request can mean the successful conclusion of a U.S. export contract.

To ensure that our export control policies are clearly and cohesively presented and reflect the most recent policy decisions, OTPA writes and directs the publication of the Export Administration Regulations, and issues bulletins periodically to provide exporters with the latest information on export controls. OTPA also writes and publishes the U.S. Foreign Policy Report, which the President forwards to the Congress, that modifies, negates, or extends U.S. export controls imposed for foreign policy reasons. When controls are primarily unilateral, OTPA must provide an explanation of the need for such restrictions, taking into account their effectiveness as well as their impact on U.S. industry, as they are frequently the most controversial.

Foreign Availability: Foreign Availability (FA) ensures that export controls achieve U.S. national security and foreign policy objectives without adversely affecting the economic competitiveness of U.S. industries in world markets. FA analyses provide BXA with information needed to make informed judgments on the controllability, proliferation and application of strategic technologies worldwide.

The Office of Foreign Availability (OFA) conducts assessments in response to: (1) claims of foreign availability and the evidence of such submitted by exporters; (2) certification from a Technical Advisory Committee as to the existence of foreign availability; and (3) circumstances that indicate foreign availability of important items. Last year, OFA initiated four foreign availability assessments with the following results:

- Foreign availability was found for high speed modems up to 19.2 kbps. Controls on these modems were removed for most destinations, eliminating the need for approximately 245 individual license applications estimated to value at approximately \$36 million.
- Based on foreign availability, the United States decontrolled digital computers with a CTP of 194 to most Free World destinations, and the Bureau proposed that CoCom decontrol these digital computers for all CoCom-controlled destinations. (Computers accounted for about one third of Bureau's licensing applications.)
- Licensing requirements for oil well perforators were removed for most Free-World destinations due to foreign availability. Consequently, decontrol to CoCom-controlled destinations will be accomplished by March 18, 1994, releasing over \$400 million in perforator devices and supporting service annually.
- Foreign availability was found for telecommunication transmission equipment operating according to the synchronous digital hierarchy (SDH) at digital transfer rates up to 623 million bits per second. The United States decontrolled this equipment to most Free-World destinations and is consulting with its allies concerning the appropriate control level for this equipment. The market for this equipment is very competitive and expanding rapidly. The worldwide market is currently estimated to be \$500 million and is expected to increase to \$1 billion by 1996.

OFA also conducted a review to evaluate the availability of **supercomputers** from non-CoCom sources. The report concluded that the United States should relax its super-computer controls so that U.S. manufacturers of high performance work-stations can remain competitive in international markets. Using this information, the U.S. Government proposed to its allies that the supercomputer controls be revamped.

OFA supported the U.S.-Russian Defense Conversion Subcommittee's initiative to promote the conversion of Russian military production enterprises to civil applications by publishing three installments of the Russian Defense Business Directory. The Directory provides U.S. companies with information on investment opportunities in Russia and obstacles to conducting business in Russia. The Directory contains

the English language version of significant Russian federal laws, sources of additional information, and profiles of Russian defense enterprises. Copies of the Directory are available through the National Technical Information Service (NTIS) or electronically through the Department's Economic Bulletin Board.

As a part of the Department's effort to assess the competitiveness of U.S. industry in various critical technology areas, OFA completed six foreign industry assessments on: (1) advanced ceramics; (2) advanced composites; (3) artificial intelligence; (4) flexible computer integrated manufacturing; (5) optoelectronics; and (6) superconductivity. In these reports, OFA identified the foreign industry leaders in each area, and assessed their R&D efforts and their technological capabilities in relation to U.S. capabilities. Simultaneously, OFA assessed the industry leaders' government activities to promote indigenous high technology industry in their country. OFA completed nine foreign government assessments analyzing government expenditures in R&D, the focus of each government's research efforts and the government's role in technology development. Copies of the foreign industry and government assessments are available through the National Technical Information Service (NTIS). Because of their focus on foreign industries and governments, these studies are unique and of high interest to U.S. industry and government policy-makers.

Performance Measures for Export Administration

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|---|-------------------|---------------------|---------------------|
| Export Licensing Activities | | | |
| Licensing Decision Activities | | | |
| License Applications Processed:¹ | | | |
| CoCom Member Country | 2,603 | 3,200 | 3,200 |
| Other Free World | 18,817 | 10,000 | 10,000 |
| Bloc | 2,376 | 2,300 | 2,300 |
| PRC | 2,286 | 2,000 | 2,000 |
| Total Processed | 26,082 | 17,500 | 17,500 |
| Disposition of License Applications Processed:² | | | |

¹ Includes licenses pending from previous years and those which were referred to other agencies.

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|---|-------------------|---------------------|---------------------|
| Approved | 22,224 | 14,300 | 14,300 |
| Denied | 498 | 240 | 240 |
| Returned Without Action | 3,404 | 2,800 | 2,800 |
| Other Administrative Actions ³ | 200 | 200 | 200 |
| Total | 26,326 | 17,540 | 17,540 |
| Licenses Referred to Other Agencies: | 14,016 | 9,500 | 9,500 |
| Emergency Cases ⁴ | 170 | 170 | 170 |
| Average Processing Times: ⁵ | | | |
| Free World Requests | 27 | 28 | 25 |
| Bloc Requests | 54 | 65 | 35 |
| PRC Requests | 60 | 75 | 60 |
| CoCom Requests | 10 | 14 | 10 |
| Special Licenses: | | | |
| Currently Held | 276 | 240 | 240 |
| Average Processing Time (days) | 27 | 40 | 27 |

² Licenses referred and non-referred includes license cases which may be counted more than once if referred to more than one agency for review.

³ Includes applications suspended, canceled and revoked.

⁴ Emergency processing of a license at the exporters request, 1-day processing time.

⁵ Represents number of calendar days required for processing.

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--|-------------------|---------------------|---------------------|
| License System Reviews: | | | |
| IVL Reviews | 1,311 | 0 | 750 |
| Special License System Reviews: | | | |
| o Domestic Reviews (audits) | 22 | 20 | 20 |
| o Foreign Reviews (audits) | 32 | 26 | 10 |
| Total | 54 | 46 | 30 |
| EPCI End-User Analyses | 5,000 | 3,300 | 7,500 |
| Outreach Consultations: | | | |
| STELA Inquiries | 114,000 | 100,000 | 100,000 |
| Headquarters Phone Inquiries | 76,563 | 57,000 | 57,000 |
| Regional Office Inquiries: | | | |
| o WRO (Southern California) | 108,620 | 90,000 | 90,000 |
| o Northern California Branch | 48,673 | 27,000 | 27,000 |
| o ERO (Nashua, NH) | 32,461 | 30,000 | 30,000 |
| Pre-licensing Consultations | 4,800 | 1,000 | 1,000 |
| Licensing Consultations | 17,500 | 13,800 | 13,800 |
| Education of Industry: | | | |
| Headquarters Seminars | 24 | 28 | 40 |
| Headquarters Presentations | 127 | 88 | 127 |
| Regional Office Seminars: | | | |
| o WRO (Southern California) | 136 | 75 | 75 |
| o Northern California Branch | 46 | 25 | 25 |

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|---|-------------------|---------------------|---------------------|
| o ERO (Nashua, NH) | 35 | 37 | 37 |
| Regulatory Licensing Impact Analyses: | | | |
| Licensing Policy Directives ⁶ | 36 | 55 | 55 |
| Interagency Licensing Analysis Review Meetings | 144 | 71 | 100 |
| Intra-agency Licensing Analysis Review Meetings | 93 | 27 | 124 |
| Licensing Policy Trend Analysis | 31 | 9 | 15 |
| Technology and Policy Analysis | | | |
| Case Referrals | 1,995 | 2,500 | 2,500 |
| Classifications | 6,909 | 10,000 | 10,000 |
| Average Classification Processing Time ⁷ | 14 | 40 | 35 |
| Average Number of Classifications per Engineer | 42 | 108 | 90 |
| NSD 53 Meetings & Preparation ⁸ | 1,900 | 800 | 1,950 |
| Exodus & OEE cases | 600 | 250 | 650 |
| Commodity Jurisdictions | 349 | 200 | 350 |
| Seminar Participation ⁸ | 70 | 0 | 35 |
| Training/Preparation for Foreign Governments ⁸ | 425 | 0 | 1,400 |
| Advisory Opinions | 200 | 0 | 250 |

⁶ Includes Licensing and Special Licensing Officer Manuals in addition to Heads-up Notices.

⁷ Represents number of days.

⁸ Represents number of staff days

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--|-------------------|---------------------|---------------------|
| Support for Technical Advisory Committee Meetings ⁸ | 150 | 65 | 160 |
| Interagency Negotiations ⁸ | 600 | 300 | 1,050 |
| International Negotiations ⁸ | 500 | 400 | 1,250 |
| Export Control Proposals | 125 | 50 | 155 |
| Foreign Policy Reports to Congress ⁹ | 2/100 | 5/175 | 6/250 |
| Court Testimony & Preparation ⁸ | 30 | 30 | 30 |
| Federal Register Notice ¹⁰ | 95 | 90 | 90 |
| Export Regulations/Bulletins ¹⁰ | 1,512 | 1,650 | 1,650 |
| Regulatory Changes | 26 | 40 | 40 |
| Annual Reports/Denial Orders/Other | 180 | 150 | 150 |
| Foreign Availability Activity | | | |
| Foreign Availability Reports to Congress ¹¹ | 2 | 2 | 2 |
| Foreign Availability Pre-R&A Data Gathering ¹² | 1 | 2 | 2 |
| Foreign Availability Assessments Initiated | 4 | 2 | 2 |
| Foreign Availability Reviews Initiated | 0 | 0 | 0 |

⁹ Represents number of reports/number of pages.

¹⁰ Represents number of pages.

¹¹ Congressional Reports include: 2 semi-annual reports, an annual report and a foreign policy report.

¹² The Foreign Availability data gathering number indicates how many R&A's are in the data collection stage, prior to initiation.

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--|-------------------|---------------------|---------------------|
| Foreign Availability Reviews & Assessments Completed | 3 | 4 | 2 |
| Foreign Industry Analysis for Critical Technology Assessments: | | | |
| Initiated | 1 | 0 | 0 |
| Completed | 6 | 0 | 0 |
| Short Supply Analysis ¹³ | 39 | 260 | 255 |
| Russian and other Foreign Defense Business Directories ¹⁴ | 3 | 1 | 4 |

¹³ Short-supply workload assumes the implementation of an export licensing program for the export of unprocessed timber of state public lands. Individual FY totals are as follows: FY 93 Oil (8), Log (31); FY 94 Oil (22), Log (238); and FY 95 Oil (19), Log (236).

¹⁴ The Office of Foreign Availability and the Office of Industrial Resource Administration work jointly on this project.

DEPARTMENT OF COMMERCE
Bureau of Export Administration
Operations and Administration

Increase for FY 1995
(Direct obligations in thousands)

| | FY 1995 Base | | FY 1995 Est. | | Incr. (+)/Dec. (-) | |
|-----------------------------|--------------|----------|--------------|----------|--------------------|----------|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| Export Administration | 145 | \$17,337 | 184 | \$21,741 | +39 | +\$4,404 |

Trade Promotion Coordinating Committee (TPCC) Initiatives (39 Positions, 29 FTE and \$4,404,000). The interagency Trade Promotion Coordinating Committee developed a set of initiatives to reform the federal export control system. The major goals of the reform are to: streamline the licensing process, remove unnecessary controls and harmonize U.S. economic and national security interests. A number of these initiatives are also contained in the NPR report on export controls. The following increases are requested to implement the TPCC's recommendations:

Nonproliferation Export Controls (22 Positions, 16 FTE and \$1,704,000). The recent expansion in export controls has focused on nuclear, chemical and biological weapons and ballistic missiles. EA must acquire new expertise in the areas of nuclear physics, chemical engineering, biology and aerospace to address these concerns.

When controls are proposed on new, state-of-the-art technologies from which weapons of mass destruction can evolve, skilled technical staff must be available to determine the type of control regime that will be most effective, and the level of sophistication at which the technology should be controlled. Familiarity with the industry to be controlled and engineering expertise are critical to ensuring that only the technology that poses a danger to our national security is restricted so as not to unnecessarily restrict exports. A broad approach to such controls unnecessarily limits legitimate world trade. Further, the ability to explain new control parameters in the export control regulations to a broad spectrum of U.S. industry is critical to effective compliance.

With technology development progressing rapidly, continuous technical review is critical to ensure that the level and method of control addresses emerging technologies. Only by maintaining a highly skilled technical staff trained in the technologies most at risk of diversion can we ensure that our control regime maintains a "level playing field" for U.S. exporters.

Technical Assistance Export Controls (9 Positions, 7 FTE and \$935,000). This is a government-to-government assistance and cooperation program to help officials in newly emerging nations and other countries of concern to develop export control programs similar in scope and effectiveness to those of the United States. Funding will be used to strengthen bilateral technical assistance efforts, important to countries comprising the newly independent states (particularly the nuclear republics of Belarus, Kazakhstan, Russia and Ukraine), nations of Eastern Europe, as well as nations outside this region (especially those in southeast Asia, Far East and Latin America) in developing effective multipurpose systems of export controls to prevent proliferation, and loss of other sensitive technologies. This will advance international export control cooperation, trade and economic integration while reducing the proliferation threat.

It is vital to international security that nations that desire or are able to produce sensitive dual-use goods and technologies control the export of these items to prevent their diversion to the production or delivery of weapons of mass destruction. The effectiveness of U.S. export controls can be severely undercut if other potential supplier nations do not also have effective export control systems. This initiative focuses on two groups of countries: newly independent states in the former Soviet Union and in Eastern Europe and other proliferation risk countries.

Well documented attempts to develop nuclear, chemical, biological weapons and missile capability illustrate the danger of weapons proliferation. With the collapse of the former Soviet Union, worldwide concern has been heightened over proliferation risks due to significant increase in the number of potential supply sources of such weapons and related technologies, especially if democratic and economic reforms falter. While many of the countries of Eastern Europe and the former Soviet Union have expressed a willingness to cooperate with multilateral control regimes, most do not have the legal foundations, institutional and technical capabilities, or resources to implement effective export and re-export controls. With the resources requested, EA will provide the guidance and assistance necessary to ensure that mutual nonproliferation goals are met. This will eventually lead to a relaxation in our own controls on goods exported to these countries, thus assisting American high technology exports. This program not only meets the goal of stopping the proliferation of weapons of mass destruction, but also opens eagerly awaiting markets to more sophisticated, more expensive U.S. products. In many instances, these markets have been closed to U.S. industry for over fifty years.

BXA's foreign technical assistance program draws on BXA's unique practical and technical experience and knowledge in several major areas such as: multilateral export control policy; legal procedures; administrative institutional reform; licensing; preventive enforcement; and automation.

The CoCom Cooperation Forum and successor organizations have endorsed multilateral efforts to assist the newly independent states and developing nations in crafting reliable export control regimes. While some control measures are easily adaptable to many countries, there are aspects of a control program that need to be tailored to meet a particular country's legal system or national practice. As the agency that administers dual-use controls, Commerce is best equipped to assist these countries, both individually and collectively. BXA can provide the skills necessary to develop laws, institutions, export control procedures, licensing, preventive enforcement, and automation systems.

As part of this initiative, the Export Enforcement Program Staff will conduct pre-license and post shipment checks and educate host government officials and export control specialists on the U.S.'s preventive export enforcement program. They will play a major role in providing advice on developing an effective enforcement program, and the importance of a strong and integral enforcement outreach effort to a comprehensive system of export controls.

A total of \$300,000 will be used for non-personnel expenditures related technical assistance, for example, appropriate technical material/publication preparation in English and a foreign language. This will allow flexible and timely preparation of support material for export control assistance. Funding will be used for: (1) preparation, translation and printing of appropriate publications to support technical assistance and explain export controls to foreign people; (2) travel by U.S. personnel to targeted foreign country for advising, consultations, and export controls reviews; (3) preparation of instructional material in foreign language as appropriate for a foreign audience; (4) contract support for administrative/logistics requirements; and (5) contract support for appropriate foreign language instruction booklets with sections on multilateral export controls related to dual-use items and non-proliferation.

This program will not only result in a more secure world due to supplier countries' increased control over the transfer of sensitive items. But it will also lead to relaxing U.S. export controls to such countries. Relaxed controls will provide wider, more open markets for the shipment of more sophisticated U.S. goods and technologies.

Integrated Database (3 Positions, 2 FTE and \$1,350,000). A major factor impeding prompt interagency analysis of export license applications is the lack of overall database interoperability and integration. Given that license applications can require the review of several other Departments (including State, Defense, Energy, the Nuclear Regulatory Commission and the intelligence community) it is imperative that relevant and updated information pertaining to each application be shared on a real time basis among all involved parties via interactive computer links. The additional resources will be used to determine the best means to improve the interagency licensing system.

BXA proposes to: (1) assess its central processor and identify options for upgrading its system and begin implementation; (2) improve electronic interface between ECASS and other agencies; (3) upgrade the BXA local area network and workstations to increase

its reliability and to support additional external users; (4) apply imaging to the licensing process; (5) modify the existing OCR to accommodate the consolidation of licensing forms; and (5) increase (from the FY 1994 level) the staff level of BXA's Office of Information Resources Management.

In 1984, a central license processing system was installed in the Department of Commerce. This licensing system, the export control automated support system (ECASS), has dramatically improved not only the timeliness of export license applications processing but also the quality of export licenses issued and the follow-up action required from applicants. This system uses advanced processing capabilities such as:

- A voice response system, STELA (system for tracking export license applications) to enable direct inquiry by exporters concerning the status of their application;
- Optical character reader systems to input large amounts of application data, quickly and economically;
- An electronic data interchange (EDI) for electronic receipt of export license applications directly from exporters and electronic transmission of approved licenses directly back to the applicant;
- An integrated database management system controlling the licensing process and providing quick access to historical data on licensing decisions;
- Fiber optic communications networks to speed the flow of information to the export control community connected to the network;
- High speed communications lines linking the central computer site with licensing officials;
- An enforcement support system that provides enforcement agents across the U.S. direct access to all licensing information as well as data on enforcement/judicial actions. It also allows agents to communicate directly with licensing officers reviewing specific applications.

Currently the CIA and State Department make extensive use of this system. The participation of these two agencies has greatly improved their input into the process.

The Departments of Defense and Energy both have their own computer systems and obtain information on dual use licensing by downloading information from the Commerce ECASS system. A number of recent studies have suggested that expanded use of ECASS and improved system interfaces could benefit all parties involved in dual-use license processing.

Expedite License Processing and Examine Control List (5 Positions, 4 FTE and \$415,000). Expediting the licensing process is essential to increasing the competitiveness of U.S. firms in world markets -- delays in licensing decisions can be de facto denials of export opportunities as purchasers seek alternative suppliers who can deliver in a timely manner. Accordingly, BXA needs to complete a comprehensive analysis of its licensing operations and interagency referral procedures in order to ensure a careful but prompt review of all proposed export transactions subject to IVL requirements. The additional resources requested will be used to complete a "zero based" review of the organizational structure necessary to improve the overall licensing system and put in place the mechanisms needed to ensure program implementation.

The assessment will focus on several factors including means by which: (1) license processing times can be reduced; (2) interagency referrals can be reduced; (3) licenses that are referred to other agencies can be decided quickly; and (4) outreach efforts to the business community can be improved. In order to track progress in these areas, BXA will implement systematic procedures to measure the effectiveness of the agency's efforts.

The control lists under the various multilateral regimes (CoCom, MTCR, AG, NSG, Supercomputers) require constant revision to ensure that they focus on critical "bottlenecks of" technologies and materials without placing unnecessary burdens on the exporting community. Furthermore, it is imperative that our partners in the various multilateral regimes implement controls with the same degree of rigor as the United States so that U.S. firms are not disadvantaged in world markets. The additional resources requested are for technical and export administration expertise necessary to ensure that BXA can play a productive role in international list review negotiations and to ensure that the regimes implement controls on the agreed items under a "common standard".

| | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Direct Obligations..... | \$4,404 | \$5,086 | \$5,086 | \$5,086 | \$5,086 |
| Budget Authority..... | \$4,404 | \$5,086 | \$5,086 | \$5,086 | \$5,086 |
| Outlays..... | \$3,743 | \$4,763 | \$5,053 | \$5,086 | \$5,086 |
| FTE..... | 29 | 39 | 39 | 39 | 39 |

Department of Commerce
Bureau of Export Administration
Operations and Administration
Program Change Personnel Detail

Activity: Export Administration
Subactivity: Export Administration
Program Change: Trade Promotion Coordination Committee

| Title: | Grade | Number | Annual
Plan | Total
Salaries |
|------------------------------|-------|--------|----------------|-------------------|
| Nuclear Engineer | GM-15 | 2 | 69,427 | 138,854 |
| Electronics Engineer | GM-15 | 2 | 69,427 | 138,854 |
| Chemical Engineer | GM-15 | 3 | 69,427 | 208,281 |
| Industrial Specialist | GM-14 | 3 | 64,926 | 194,778 |
| Export Policy Analyst | GM-14 | 5 | 64,926 | 324,630 |
| Nuclear Engineer | GM-14 | 6 | 64,926 | 396,251 |
| Electronics Engineer | GM-13 | 2 | 54,941 | 109,882 |
| General Engineer | GM-13 | 3 | 54,941 | 164,823 |
| Export Admin Specialist | GM-13 | 2 | 54,941 | 109,882 |
| Chemical Engineer | GM-13 | 1 | 54,941 | 54,941 |
| Nuclear Engineer | GM-13 | 1 | 54,941 | 54,941 |
| Electronics Engineer | GS-12 | 1 | 42,003 | 42,003 |
| General Engineer | GS-12 | 1 | 42,003 | 42,003 |
| Chemical Engineer | GS-12 | 1 | 42,003 | 42,003 |
| Computer Specialist | GS-12 | 1 | 42,003 | 42,003 |
| Export Compliance Specialist | GS-11 | 1 | 35,045 | 35,045 |
| Computer Specialist | GS-09 | 1 | 28,964 | 28,964 |
| Total | | 39 | | 2,238,020 |
| Less lapse (25%) | | (10) | | (559,505) |
| Total full-time permanent | | 29 | | 1,678,515 |
| 1995 Pay Adjustment (1.6%) | | | | 26,856 |
| Other Compensation | | | | 35,732 |
| Total personnel compensation | | 29 | | 1,741,103 |

Department of Commerce
Bureau of Export Administration
Operations and Administration
Program Change Personnel Detail

Activity: Export Administration
Subactivity: Export Administration
Program Change: Trade Promotion Coordination Committee

| Personnel: | Number |
|----------------------------------|-----------|
| Full-Time Equivalent Employment: | |
| Full-time permanent | 29 |
| Other than full-time permanent | 0 |
| Total | 29 |
| Authorized Positions: | |
| Full-time permanent | 39 |
| Other than full-time permanent | 0 |
| Total | 39 |

Department of Commerce
Bureau of Export Administration
Operations and Administration

PROGRAM CHANGE DETAIL BY OBJECT CLASS

(Dollars in thousands)

Activity: Export Administration
Subactivity: Export Administration
Program Change: Trade Promotion Coordination Committee

FY 1995
Increase

| Object Class | |
|--|---------|
| 11 Personnel compensation | |
| 11.1 Full-time permanent | \$1,741 |
| 11.3 Other than full-time permanent | 0 |
| 11.5 Other personnel compensation | 0 |
| 11.8 Special personnel services payments | 0 |
| 11.9 Total personnel compensation | 1,741 |
| 12.1 Civilian personnel Benefits | 409 |
| 13 Benefits for former personnel | 0 |
| 21 Travel and transportation of persons | 166 |
| 22 Transportation of things | 0 |
| 23.1 Rental payments to GSA | 0 |
| 23.2 Rental payments to others | 110 |
| 23.3 Communications, utilities and miscellaneous charges | 101 |
| 24 Printing and reproduction | 19 |
| 25 Consulting and other services: | 0 |
| 25.1 Consulting services | 0 |
| 25.2 Other services | 892 |
| 25.3 Purchase of goods and services from Government accounts | 89 |
| 25.4 Operation of GOCOs | 0 |
| 25.5 Research and development contracts | 0 |
| 26 Supplies and materials | 39 |
| 31 Equipment | 838 |
| 32 Lands and structures | 0 |
| 33 Investments and loans | 0 |
| 41 Grants, subsidies and contributions | 0 |
| 42 Insurance claims and indemnities | 0 |
| 43 Interest and dividends | 0 |
| 44 Refunds | 0 |
| 99 Total obligations | \$4,404 |

BXA - 53

DEPARTMENT OF COMMERCE
Bureau of Export Administration
Operations and Administration

Decrease for FY 1995

(Direct obligations in thousands)

| | FY 1995 Base | | FY 1995 Est. | | Incr.(+)/Dec.(-) | |
|------------------------------------|--------------|----------|--------------|----------|------------------|--------|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| Export Administration | 145 | \$17,337 | 141 | \$17,054 | -4 | -\$283 |

Personnel (-4 Positions, -4 FTE and -\$188,000). This decrease reflects the guidelines contained in the President's Executive Order regarding the Reduction of 100,000 Federal Government Positions.

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|-------------------------|--------|--------|--------|--------|--------|
| Direct Obligations..... | -\$188 | -\$188 | -\$188 | -\$188 | -\$188 |
| Budget Authority..... | -\$188 | -\$188 | -\$188 | -\$188 | -\$188 |
| Outlays..... | -\$188 | -\$188 | -\$188 | -\$188 | -\$188 |
| FTE..... | -4 | -4 | -4 | -4 | -4 |

Administrative Savings (-\$95,000). This decrease reflects the guidelines contained in the President's Executive Order regarding the Deficit Control and Productivity Improvement in the Administration of the Federal Government.

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|-------------------------|-------|-------|-------|-------|-------|
| Direct Obligations..... | -\$95 | -\$95 | -\$95 | -\$95 | -\$95 |
| Budget Authority..... | -\$95 | -\$95 | -\$95 | -\$95 | -\$95 |
| Outlays..... | -\$95 | -\$95 | -\$95 | -\$95 | -\$95 |
| FTE..... | 0 | 0 | 0 | 0 | 0 |

Department of Commerce
Bureau of Export Administration
Operations and Administration
Program Change Personnel Detail

1243

Activity: Export Administration
Subactivity: Export Administration
Program Change: Personnel and Administrative Savings

| Title: | Grade | Number | Annual
Plan | Total
Salaries |
|---------------------------|-------|--------|----------------|-------------------|
| Export Policy Analyst | GM-13 | (1) | 51,612 | (51,612) |
| Export Admin Specialist | GS-12 | (1) | 42,003 | (42,003) |
| Export Policy Analyst | GS-11 | (1) | 36,214 | (36,214) |
| Export Policy Analyst | GS-07 | (1) | 24,467 | (24,467) |
| Total | | (4) | | (154,296) |
| Other Compensation | | | 0 | 0 |
| Other Compensation | | --- | | --- |
| Total full-time permanent | | (4) | | (154,296) |

| Personnel: | Number |
|----------------------------------|--------|
| Full-Time Equivalent Employment: | |
| Full-time permanent | (4) |
| Other than full-time permanent | 0 |
| Total | (4) |
| Authorized Positions: | |
| Full-time permanent | (4) |
| Other than full-time permanent | 0 |
| Total | (4) |

Department of Commerce
Bureau of Export Administration
Operations and Administration

PROGRAM CHANGE DETAIL BY OBJECT CLASS

(Dollars in thousands)

Activity: Export Administration
Subactivity: Export Administration
Program Change: Personnel and Administrative Savings

| Object Class | FY 1995
Decrease |
|--|---------------------|
| 11 Personnel compensation | |
| 11.1 Full-time permanent | (5154) |
| 11.3 Other than full-time permanent | 0 |
| 11.5 Other personnel compensation | 0 |
| 11.8 Special personnel services payments | 0 |
| 11.9 Total personnel compensation | (154) |
| 12.1 Civilian personnel Benefits | (34) |
| 13 Benefits for former personnel | 0 |
| 21 Travel and transportation of persons | 0 |
| 22 Transportation of things | 0 |
| 23.1 Rental payments to GSA | 0 |
| 23.2 Rental payments to others | 0 |
| 23.3 Communications, utilities and miscellaneous charges | (11) |
| 24 Printing and reproduction | (1) |
| 25 Consulting and other services: | |
| 25.1 Consulting services | 0 |
| 25.2 Other services | (70) |
| 25.3 Purchase of goods and services from Government accounts | (10) |
| 25.4 Operation of GOCOs | 0 |
| 25.5 Research and development contracts | 0 |
| 26 Supplies and materials | (3) |
| 31 Equipment | 0 |
| 32 Lands and structures | 0 |
| 33 Investments and loans | 0 |
| 41 Grants, subsidies and contributions | 0 |
| 42 Insurance claims and indemnities | 0 |
| 43 Interest and dividends | 0 |
| 44 Refunds | 0 |
| 99 Total obligations | (\$283) |

Department of Commerce
Bureau of Export Administration
Operations and Administration
Program and Performance: Direct Obligations

(Dollar amounts in thousands)

| Budget Activity | 1993 Actual | | 1994 Currently Available | | 1995 Base | | 1995 Estimate | | Increase/Decrease | |
|-------------------------|-------------|----------|--------------------------|----------|-----------|----------|---------------|----------|-------------------|---------|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| Export Enforcement..... | 154 | \$15,961 | 128 | \$14,510 | 128 | \$15,08E | 151 | \$18,175 | 25 | \$3,090 |
| FTE/Obl. | 154 | 15,342 | | 16,768 | 128 | | 144 | | 18 | |

Department of Commerce
Bureau of Export Administration
Operations and Administration
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Export Enforcement

Goals and Objectives

Goal: To safeguard strategically controlled commodities and technical data and prevent the proliferation of weapons of mass destruction through effective enforcement of U.S. export control laws.

Objectives: Pursuant to the Export Administration Act of 1979, as amended (the Act), the objectives of this activity are to enforce export controls for reasons of national security, foreign policy and short supply. This activity supports the Administration's goals regarding non-proliferation of chemical, biological and nuclear weapons and missile delivery systems necessary to deliver them and ensures prompt, aggressive action against illegal export and restrictive trade practices (i.e. boycotts). It is also responsible for harmonizing enforcement on an international basis.

Base Program

Export Enforcement (EE) detects and prevents the export or illegal disposition of U.S. commodities and technical data in violation of the Act and its implementing regulations. The major objectives of BXA's enforcement program include:

- Increasing criminal and administrative investigations which lead to imprisonment, fines and/or denial of export privileges;
- Increasing utilization of intelligence research and analysis to better target OEE's enforcement efforts;
- Added emphasis on proactive enforcement programs to detect and neutralize proliferation efforts by countries of concern;

- Improving the government-wide export enforcement efforts through cooperation with other U.S. government export control and enforcement agencies;
- Improving enforcement cooperation with the export control and enforcement organizations of other countries;
- Increasing voluntary business compliance with the Act through an aggressive public awareness program that seeks cooperation with industry and educates the exporting public on the seriousness of violations;
- Increased emphasis on preventing diversions through use of pre-license checks/post shipment verifications to determine the legitimacy of recipients of sensitive U.S.-origin goods and technology and to ascertain if goods previously exported are in the approved locations and are being used in accordance with the terms and provisions of the Commerce export license;
- Additional training for special agents and intelligence analysts regarding the changing export control environment;
- Reducing U.S. business participation in foreign boycotts through a comprehensive public awareness program that increases private sector understanding of the antiboycott regulations;
- Detering antiboycott violations by focusing efforts on more serious violations which merit major criminal and administrative sanctions.

The activities of the Office of the Assistant Secretary for Export Enforcement, the Office of Export Enforcement (OEE), the Office of Enforcement Support (OES) and the Office of Antiboycott Compliance (OAC) are mandated by the Act.

Office of the Assistant Secretary: This office reviews policy initiatives developed by its operating managers. The office approves the preparation of amendments, interpretations, clarifications and other regulatory initiatives on issues arising under the EAA and acts on behalf of the Department in the settlement of export control and antiboycott cases.

Office of Export Enforcement: This office investigates alleged export control violations using criminal investigators based in eight field offices throughout the country. Allegations of violations are developed by an Intelligence Division based in Washington D.C. which also conducts intelligence operations.

The Office of Export Enforcement dedicates 83 trained professionals, 60 of whom are special agents, to investigating export control violations. OEE protects U.S. national security and foreign policy interests by interdicting illegal exports and recommending prosecution of Export Administration Act (EAA) violators, without impeding legitimate international trade. Because of their close working relationship

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with BXA's licensing officers and policy staff, OEE agents have a sophisticated awareness of all aspects of the export control system, the importance of its provisions, and the potential areas of vulnerability.

Investigations are conducted by criminal investigators in eight regional field offices located in major high technology exporting centers around the country (Los Angeles, California; San Jose, California; New York City, New York; Springfield, Virginia; Boston, Massachusetts; Fort Lauderdale, Florida; Dallas, Texas; and Chicago, Illinois). OEE's Intelligence Division, based in Washington, D.C., consists of special agents and intelligence research analysts who gather and analyze information and serves as a central repository and point of contact for all intelligence information needed to identify/target suspects for enforcement investigations and to identify diversion networks. OEE's Field Support Division, co-located with OEE's Headquarters staff, enhances OEE's efforts to prevent unlawful exports and diversions by supporting the investigative functions of the eight field offices and conducting liaison with domestic and foreign government enforcement agencies. OEE's enforcement personnel work closely with other federal agencies involved in export controls such as the Department of Justice and its Federal Bureau of Investigations, State Department, Defense Department, Customs Service, and the intelligence community.

To meet the changing export control environment and assist its investigative process, OEE created a number of innovative programs described below:

- **Strategic and Non-Proliferation Enforcement Program (SNEP):** This program was created to address increased concerns about diversion of controlled equipment and technology to the Middle East and Northern Africa especially for non-proliferation reasons. This program creates a unified enforcement/intelligence framework for sharing and coordinating information. In FY 1993, OEE uncovered a series of multi-million dollar Iranian diversion networks set up throughout the U.S. to illegally transfer U.S. commodities destined for the Iranian military's weapons development facilities. Field investigations resulted in the arrest and conviction of Iranian nationals illegally operating in the U.S. as well as their U.S. partners. OEE was able to interdict millions of dollars worth of sophisticated computer and telecommunications equipment destined for Iran, sometimes just prior to its illegal export. It is noteworthy that there has been an 800% increase in the number of investigations involving Iran from FY 1990 to FY 1993.

In another aspect of the SNEP, OEE worked with its sister office, the Office of Antiboycott Compliance (OAC) on a precedent-setting criminal/administrative investigation of a proposed production plant in Syria. The investigative efforts of OEE and OAC resulted in combined criminal and administrative fines of over \$6 million. Further details are reported in the OAC portion of this document.

In FY 1993, OEE also conducted criminal investigations relating to India's proliferation efforts, including the illegal export of sophisticated missile technology equipment to a project involved in the development of the Indian ballistic missile program and

specialized equipment destined for a suspected nuclear weapons facility in India. Other ongoing OEE criminal investigations developed under SNEP involve the nuclear development programs in Pakistan and North Korea, efforts to break the UN embargoes of Iraq and Libya, and missile development programs in most of the Middle East proliferating countries.

An OEE investigation into the diversion to Iraq of U.S. commodities licensed to Chile demonstrates how a single investigation can monopolize manpower and other resources for extended periods of time. This investigation, which so far has resulted in eight indictments and one conviction, civil forfeiture of \$30 million in seized property and two administrative actions, required the full time attention of two OEE agents and the participation of numerous other OEE personnel for the past 30 months. Additional legal proceedings against the targeted parties could take at least another six to twelve months.

- **Safeguards Verification Program:** This program is designed to provide a mechanism for verifying that controlled U.S.-origin goods exported to countries of concern are subject to adequate enforcement safeguards. Initially developed for use in the emerging democracies of Poland, Czechoslovakia, and Hungary, this program has been expanded to encompass countries in the Middle East, South Asia, the Far East, Africa and South America. To date 31 Safeguards Verifications teams have conducted over 150 pre-license checks and over 400 post-shipment verifications in 22 countries, working closely with the host governments to ensure proper control of U.S.-origin dual use commodities.

In FY 1993, OEE continued to enforce the U.N. Arms Embargo against South Africa, devoting significant resources to administering the system of end-use verifications prompted by the Comprehensive Anti-Apartheid Act of 1986. OEE's special agents continued their criminal investigations into suspected multi-million dollar diversions of shotguns to South Africa through Zimbabwe and Namibia. In another case, OEE arrested a South African businessman as he attempted to leave the U.S. with unlicensed polygraph and thermal imaging equipment. The businessman is believed to have been a major conduit of illegal shipments to South Africa. As a result of OEE's actions, this diversion network has been shut down.

OEE continues to foster its close working relationship with industry. In FY 1993 enforcement personnel participated in numerous seminars and trade shows across the country to help educate U.S. businesses on the dangers of illegal diversions and to seek industry's cooperation in halting illegal transactions. OEE also continued its contacts with individual private sector firms through "Project Outreach," with efforts focused on providing assistance to firms in the chemical, biological, nuclear and missile technology sectors.

- **Business Executives Enforcement Team (BEET):** OEE also continued this program to increase the awareness of senior corporate officials of the importance of export controls. In eight regional "town hall" meetings of the BEET, OEE was able to meet with over 900 attendees to hear their concerns.

OEE participates in the enforcement aspects of various proliferation regimes including the Missile Technology Control Regime (MTCR), the Australia Group, and the Nuclear Suppliers Group (NSG).

Office of Enforcement Support: The Office of Enforcement Support (OES) evaluates export transactions based on Census data to identify possible violations of the EAA. OES also analyzes intelligence information and correlates this information against export license applications. Furthermore, OES coordinates the performance of pre-license checks and post-shipment verification checks. The former checks determine the reliability of foreign consignees to receive sensitive U.S. technology.

The later checks ensure compliance with the terms and conditions of the U.S. export license. OES screens all export license applications to detect potential illegal exports. These preventative enforcement measures have been successful and result in decisions not to approve license applications for the export of strategic technology when the bona fides of the parties is questionable.

To compensate for loss of investigative audit trails resulting from multilateral decontrol initiatives, OES initiated a program involving the review of shipper's export declarations (SEDs) received from the Census Bureau. This program enables OES to monitor exports against new general license authorities and detect violations of these licenses. Additionally, this computerized system allows OES to survey all U.S. exports and isolate those involving Commerce controlled items, particularly sensitive items controlled for proliferation concerns.

As a result of increased Federal coordination efforts regarding security clearance programs, OES's workload continues to increase. During the Fiscal Year 1992, OES performed 5,064 name clearance file and record checks for organizations within the Department of Commerce and other federal agencies; during the first half of Fiscal Year 1993 the number of checks completed was 3,882.

Office of Antiboycott Compliance: The mission of the Antiboycott Compliance program is to ensure compliance with the antiboycott provisions of the Export Administration Act. To this end, OAC investigates violations (such as furnishing boycott-related information, refusals to deal with blacklisted businesses and religious discrimination) and pursues the appropriate administrative or criminal sanctions, including civil penalties, the imposition of periods of export denial, and referral to the Department of Justice for criminal prosecution. Cases warranting administrative action are settled by the OAC or referred to the Department's Office of Chief Counsel for Export Enforcement for the initiation of administrative proceedings. OAC also compiles and publishes statistics about unsanctioned foreign boycotts and carries out extensive public education and counselling in antiboycott matters to encourage compliance with the law.

The office continued a high level of enforcement efforts during fiscal year FY 1993. Within the limits provided by the statute, it continued to impose a higher level of penalties than in FY 1992. The Office continued to attract and retain high quality compliance officers. OAC continued its professional interaction with BXA's Office of Export Enforcement (OEE) and developed increased relationships with the Department of Justice. OAC compliance officers gave specialized instruction at OEE field offices during the year. Our efforts continued to bear fruit. OAC completed a multi year investigation resulting in the first criminal conviction and more than \$6,000,000 in civil penalties.

The largest single category of civil penalties imposed during the year was to settle allegations of furnishing prohibited information about business relationships. The second largest category was agreements to refuse to do business with boycotted countries or blacklisted firms.

A total of 79 enforcement actions were completed during FY 1993. Of the total, 37 resulted in consent settlements. The office closed 13 investigations with warning letters for reporting violations. Cases were closed in 29 additional investigations, because violations were not found. Denial orders were imposed as a result of four investigations. In addition, one charging letter was issued which was still pending at the end of FY 1993.

All of the OAC investigations that resulted in the imposition of a civil penalty were resolved through settlement. The consent agreements used as the vehicle for these settlements continue to be an important enforcement tool for the office. These agreements provide for the payment of civil penalties and often for the establishment of compliance programs.

Civil penalties, imposed in 37 consent settlements (including a large multiyear case that resulted in a criminal conviction), totalled \$6,817,450 in FY 1993.

During FY 1993, OAC has assumed a major role in assisting the Department of State in its efforts to promote abandonment of the boycott. To this end, OAC has provided information and analyses based on the mandatory reports filed with OAC and has provided technical assistance and counsel to the Department of State and to the Government of Germany. As the move toward dismantling the boycott proceeds, it is important for OAC to be equipped to continue its rigorous enforcement at the same time it continues to support the policy of encouraging dismantling of the boycott.

Performance Measures for Export Enforcement

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|---|-------------------|---------------------|---------------------|
| Export Enforcement/Enforcement Support | | | |
| Investigations Closed (administrative actions completed) | 434 | 450 | 450 |
| Cases Referred to Justice Department for Criminal Action | 22 | 20 | 20 |
| Cases Referred to Office of the General Counsel for Administrative Action | 37 | 22 | 22 |
| Administrative Fines Imposed (in millions) | \$.7 | \$.8 | \$.8 |

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| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--|-------------------|---------------------|---------------------|
| Denial Orders Issued (temporary, final and amendments) | 25 | 18 | 18 |
| Warning Letters Issued | 238 | 250 | 250 |
| Preliminary Checks Initiated | 559 | 350 | 350 |
| Post Shipment Checks Initiated | 259 | 110 | 110 |
| License Application Rejections and RWA's due to OEE ^{1/2} | 393 | 250 | 250 |
| Export Value of Rejected & RWA License Applications (in billions of \$) ³ | \$ 4 | \$ 2 | \$ 3 |
| Antiboycott Compliance | | | |
| Case Development 1 ⁴ | 200 | 200 | 200 |
| Case Investigation and Review ⁴ | 91 | 125 | 125 |
| Case Disposition and Evaluation ⁵ | 113 | 170 | 170 |
| Pre-charging letter resolution activities ⁶ | 65 | 50 | 50 |

¹ Includes rejections due to adverse information discovered during the pre-license check as well as rejections as a result of information available from other sources.

² RWA's are licenses which have been returned without action.

³ Number of firms researched during the fiscal year.

⁴ Number of firms docketed during the fiscal year for formal investigation.

⁵ Formal investigations closed or moved to the pre-charging letter resolution stage during the fiscal year plus those docketed in prior periods which are still under review at the end of the fiscal year.

⁶ Cases for which pre-charging letters were issued during or prior to the fiscal year and for which final orders were signed during the fiscal year or which remain unresolved at the end of the fiscal year.

| | FY 1993
Actual | FY 1994
Estimate | FY 1995
Estimate |
|--|-------------------|---------------------|---------------------|
| Administrative Adjudication Support ⁷ | 1 | 6 | 6 |
| Boycott Reports Analyzed ⁸ | 10,014 | 15,000 | 15,000 |
| Outreach Counseling Activities ⁹ | 1,850 | 1,700 | 1,700 |

⁷ Number of cases referred to OGC which have not been finally adjudicated or settled.

⁸ This number is greater than the number of boycott reports reviewed as published in the BXA Annual Report because this number includes reports filed by the public which the regulations do not require them to file. However, until the report is analyzed we did not know that it is not a required report.

⁹ Number of Counseling sessions for individuals or firms (includes seminars, advice discussed by telephone and counseling sessions in the office).

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DEPARTMENT OF COMMERCE
Bureau of Export Administration
Operations and Administration

Increase for FY 1995

(Direct obligations in thousands)

| | <u>FY 1995 Base</u> | | <u>FY 1995 Est.</u> | | <u>Incr.(+)/Dec.(-)</u> | |
|--------------------------|---------------------|---------------|---------------------|---------------|-------------------------|---------------|
| | <u>Personnel</u> | <u>Amount</u> | <u>Personnel</u> | <u>Amount</u> | <u>Personnel</u> | <u>Amount</u> |
| Export Enforcement | 126 | \$15,085 | 154 | \$18,384 | +28 | +\$3,299 |

Fully Staffed Enforcement Field Offices (28 positions, 21 FTE and \$3,299,000). Since FY 1990, funding for the Office of Export Enforcement (OEE) field offices has been greatly reduced. If the proposed FY 1994 reductions occur and are not restored in FY 1995, OEE will be unable to continue an effective level of enforcement activities. OEE currently keeps its eight regional field offices open with significantly reduced staff and resources. The FY 1994 reductions could require closing 3 of the 8 national field offices (San Jose, Chicago and Springfield, Virginia) and the virtual abandonment of enforcement in 27 states plus northern California. Major criminal or administrative investigations in these regions could not be sustained by the remaining field offices due to the lack of personnel and travel funds.

The FY 1995 increase is essential to decontrolling and expanding dual-use exports without impairing national security. Specifically, this increase would fund the Office of Export Enforcement's eight field offices and begin to bring them back to their FY 1990 level. In FY 1990, OEE had a staff of 99 to handle 760 investigative cases. Currently, OEE's 60 special agents are assigned 1,472 cases. Some of these agents are handling over 55 cases, far too many for effective enforcement.

| | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Direct Obligations..... | \$3,299 | \$3,890 | \$3,890 | \$3,890 | \$3,890 |
| Budget Authority..... | \$3,299 | \$3,890 | \$3,890 | \$3,890 | \$3,890 |
| Outlays..... | \$2,804 | \$3,637 | \$3,861 | \$3,890 | \$3,890 |
| FTE..... | 21 | 28 | 28 | 28 | 28 |

Department of Commerce
Bureau of Export Administration
Operations and Administration
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Export Enforcement
Subactivity: Export Enforcement
Program Change: Fully Staffed Enforcement Field Offices

| Title: | Grade | Number | Annual | | Total |
|--|-------|-----------|--------|--------------------|-------|
| | | | Plan | Salaries | |
| Supervisory Criminal Investigator | GM-14 | 4 | 64,926 | \$259,704 | |
| Criminal Investigator | GS-13 | 14 | 54,941 | 775,056 | |
| Criminal Investigator | GS-12 | 10 | 42,003 | 420,030 | |
| Total | | 28 | | 1,454,790 | |
| Less Lapse (25%) | | (7) | | (363,698) | |
| Total full-time permanent (FTE) | | 21 | | 1,091,093 | |
| FY 1995 Pay Raise (1.6%) | | | | 17,457 | |
| Total salary costs | | | | 1,108,550 | |
| Administrative Uncontrollable Overtime (AUO) (25%) | | | | 277,137 | |
| Total Salary | | | | 1,385,688 | |
| Other Compensation (cash awards 2.0%) | | | | 22,171 | |
| Total | | 21 | | \$1,407,858 | |

| Personnel Data: | | Number |
|----------------------------------|--|-----------|
| Full-time Equivalent Employment: | | |
| Full-time permanent | | 21 |
| Other than full-time permanent | | 0 |
| Total | | 21 |
| Authorized Positions: | | |
| Full-time permanent | | 28 |
| Other than full-time permanent | | 0 |
| Total | | 28 |

Department of Commerce
Bureau of Export Administration
Salaries and Expenses
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Direct Obligations amounts in thousands)

Activity: Export Enforcement
Subactivity: Export Enforcement
Program Change: Fully Staffed Enforcement Field Offices

FY 1995

| Object Class | Increase |
|--|----------------|
| 11 Personnel compensation | |
| 11.1 Full-time permanent | \$1,109 |
| 11.3 Other than full-time permanent | 0 |
| 11.5 Other personnel compensation | 299 |
| 11.8 Special personnel services payments | 0 |
| 11.9 Total personnel compensation | 1,408 |
| 12.1 Civilian personnel Benefits | 399 |
| 13 Benefits for former personnel | 0 |
| 21 Travel and transportation of persons | 400 |
| 22 Transportation of things | 0 |
| 23 Rent, communications, and utilities | 0 |
| 23.1 Rental payments to GSA | 0 |
| 23.2 Rental payments to others | 0 |
| 23.3 Communications, utilities and miscellaneous charges | 187 |
| 24 Printing and reproduction | 14 |
| 25 Consulting and other services: | |
| 25.1 Consulting services | 0 |
| 25.2 Other services | 503 |
| 25.3 Purchase of goods and services from Gov't accounts | 50 |
| 25.4 Operation of GOCO's | 0 |
| 25.5 Research and development contracts | 0 |
| 26 Supplies and materials | 28 |
| 31 Equipment | 310 |
| 32 Lands and structures | 0 |
| 33 Investments and loans | 0 |
| 41 Grants, subsidies and contributions | 0 |
| 42 Insurance claims and indemnities | 0 |
| 43 Interest and dividends | 0 |
| 44 Refunds | 0 |
| 99 Total obligations | \$3,299 |

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DEPARTMENT OF COMMERCE
Bureau of Export Administration
Operations and Administration

Decrease for FY 1995
(Direct obligations in thousands)

| | FY 1995 Base | | FY 1995 Est. | | Incr.(+)/Dec.(-) | |
|--------------------------|--------------|----------|--------------|----------|------------------|--------|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| Export Enforcement | 126 | \$15,085 | 123 | \$14,876 | -3 | -\$209 |

Personnel Reductions (-3 Positions, -3 FTE and -\$117,000). This decrease reflects the guidelines contained in the President's Executive Order regarding the Reduction of 100,000 Federal Positions.

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|-------------------------|--------|--------|--------|--------|--------|
| Direct Obligations..... | -\$117 | -\$117 | -\$117 | -\$117 | -\$117 |
| Budget Authority..... | -\$117 | -\$117 | -\$117 | -\$117 | -\$117 |
| Outlays..... | -\$117 | -\$117 | -\$117 | -\$117 | -\$117 |
| FTE..... | -3 | -3 | -3 | -3 | -3 |

Administrative Savings (-\$92,000). This decrease reflects the guidelines contained in the President's Executive Order regarding the Deficit Control and Productivity Improvement in the Administration of the Federal Government.

| | 1995 | 1996 | 1997 | 1998 | 1999 |
|-------------------------|-------|-------|-------|-------|-------|
| Direct Obligations..... | -\$92 | -\$92 | -\$92 | -\$92 | -\$92 |
| Budget Authority..... | -\$92 | -\$92 | -\$92 | -\$92 | -\$92 |
| Outlays..... | -\$92 | -\$92 | -\$92 | -\$92 | -\$92 |
| FTE..... | 0 | 0 | 0 | 0 | 0 |

Department of Commerce
Bureau of Export Administration
Operations and Administration
PROGRAM CHANGE PERSONNEL DETAIL

Activity: Export Enforcement
Subactivity: Export Enforcement
Program Change: Personnel and Administrative Savings

| Title: | Grade | Number | Annual Plan | Total Salaries |
|-----------------------------------|--------------|---------------|--------------------|-----------------------|
| Export Enforcement Policy Analyst | GS-11 | (1) | 40,887 | (\$40,887) |
| Export Enforcement Policy Analyst | GS-09 | (1) | 29,930 | (29,930) |
| Export Enforcement Policy Analyst | GS-07 | (1) | 23,678 | (23,678) |
| Total | | (3) | | (94,495) |
| Other Compensation | | | | 0 |
| Less lapse (25.0%) | | | | --- |
| Total full-time permanent: | | (3) | | (94,495) |

| Personnel Data: | Number |
|----------------------------------|---------------|
| Full-time Equivalent Employment: | |
| Full-time permanent | (3) |
| Other than full-time permanent | 0 |
| Total | (3) |
| Authorized Positions: | |
| Full-time permanent | (3) |
| Other than full-time permanent | 0 |
| Total | (3) |

Department of Commerce
Bureau of Export Administration
Salaries and Expenses
PROGRAM CHANGE DETAIL BY OBJECT CLASS
(Direct Obligations amounts in thousands)

Activity: Export Enforcement
Subactivity: Export Enforcement
Program Change: Personnel and Administrative Savings

| Object Class | FY 1995 | Decrease |
|--|---------|----------|
| 11 Personnel compensation | | |
| 11.1 Full-time permanent | | (\$94) |
| 11.3 Other than full-time permanent | | 0 |
| 11.5 Other personnel compensation | | 0 |
| 11.8 Special personnel services payments | | 0 |
| 11.9 Total personnel compensation | | (94) |
| 12.1 Civilian personnel Benefits | | (23) |
| 13 Benefits for former personnel | | 0 |
| 21 Travel and transportation of persons | | 0 |
| 22 Transportation of things | | 0 |
| 23 Rent, communications, and utilities | | 0 |
| 23.1 Rental payments to GSA | | 0 |
| 23.2 Rental payments to others | | 0 |
| 23.3 Communications, utilities and miscellaneous charges | | (6) |
| 24 Printing and reproduction | | 0 |
| 25 Consulting and other services: | | 0 |
| 25.1 Consulting services | | (79) |
| 25.2 Other services | | (7) |
| 25.3 Purchase of goods and services from Gov't accounts | | 0 |
| 25.4 Operation of GOCO's | | 0 |
| 25.5 Research and development contracts | | 0 |
| 26 Supplies and materials | | 0 |
| 31 Equipment | | 0 |
| 32 Lands and structures | | 0 |
| 33 Investments and loans | | 0 |
| 41 Grants, subsidies and contributions | | 0 |
| 42 Insurance claims and indemnities | | 0 |
| 43 Interest and dividends | | 0 |
| 44 Refunds | | 0 |
| 99 Total obligations | | (\$209) |

Department of Commerce
Bureau of Export Administration
Operations and Administration
Program and Performance: Direct Obligations

(Dollar amounts in thousands)

| Budget Activity | 1993 Actual | | 1994 Currently Available | | 1995 Base | | 1995 Estimate | | Increase/Decrease | |
|---|-------------|---------|--------------------------|---------|-----------|---------|---------------|---------|-------------------|--------|
| | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount | Personnel | Amount |
| Industrial Resource Administration..... | 28 | \$2,629 | 19 | \$2,089 | 19 | \$2,176 | 19 | \$2,176 | 0 | \$0 |
| FTE/Obl. | 28 | 2,485 | 19 | 2,089 | 19 | | 19 | | 0 | |

Department of Commerce
Bureau of Export Administration
Operations and Administration
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Activity: Industrial Resource Administration

Goals and Objectives

Goal: The goal of this activity is to develop, promote and implement policies which ensure a strong and technologically superior defense industrial base.

Objectives: The objectives of BXA's industrial base programs are to:

- Investigate the impact of imports on the national security (Section 232);
- Assess the financial, technological and production capabilities of critical defense related industries (Critical Technologies/Industrial Capabilities);
- Monitor and make policy recommendations regarding the export of commodities which may be in short supply (Short Supply);
- Ensure defense access to required industrial resources (Priorities and Allocations);
- Analyze the impact of military offset agreements on U.S. industrial competitiveness and consult with allied countries to limit the adverse impacts of offsets (Military Offsets);
- Ensure that National Defense Stockpile acquisitions and disposals are not market distorting (Stockpile);
- Evaluate the impact of foreign direct investment on U.S. national security (Foreign Investment);

- Assess the impact of defense memoranda on understanding on U.S. industry (MOU);
- Review and make recommendations regarding the effect of U.S. Government laws and policies on defense exports (Defense Trade Working Group);
- Develop plans to operate and staff government's industrial resource responsibilities during a national emergency (Emergency Preparedness/National Defense Executive Reserve), and promote industrial preparedness planning with our allies (NATO); and,
- Assess the impact of Excess Defense Articles (EDA) disposals on the U.S. industrial base.

Base Program

Industrial Resource Administration (IRA) is the unit within BXA responsible for developing and carrying out policy initiatives to ensure that U.S. defense-related industries are able to meet current and projected defense requirements. IRA works to ensure that economic, trade and technology impacts on the defense industrial base are given due consideration alongside foreign policy and national security concerns.

IRA further meets BXA's national security responsibilities by assessing and identifying deficiencies to industrial production which would be critical in the event of a national security crisis. IRA recommends trade and production capacity actions to alleviate identified shortfalls.

Specific programs to support national security and industrial competitiveness include:

- Section 232 -- Under authority of Section 232 of the Trade Expansion Act of 1962, IRA investigates the impact of imports on national security (i.e. the impact on the U.S. defense base current and projected ability to meet defense needs). The President has authority to "adjust imports" to remove identified national security threats based upon the Secretary's findings and recommendations. The 1988 Trade Act amended the law to require that BXA complete investigations within 270 days (replacing an earlier one-year deadline).
- Critical Technologies and Industrial Capabilities -- Under the authority of Section 825 of the FY 1991 and Section 4215 of the FY1993 National Defense Authorization Acts, IRA conducts annual assessments of industries that support the Department of Defense (DOD) list of critical technologies deemed most critical to future weapons systems and the nation's ability to compete in the global economy. The purpose of these assessments is to evaluate the financial and production capabilities of key defense-related domestic industries to support development and advancement of the DOD critical technologies.

Under the related Industrial Capabilities Program, and in accordance with its responsibilities under the Defense Production Act and related Executive Order 12656, IRA assesses the capabilities of defense-related industries to meet current and future national security requirements for specific products and evaluates their overall competitiveness. These studies assess the various factors that affect the capacity of defense related industries including foreign competition and dependencies, protectionism abroad, domestic industry practices, R&D spending, and other conditions at a micro-economic level. Studies have typically been requested by the Office of the Secretary of Defense and/or the military services.

- Short Supply -- Under the authority of the Export Administration Act, as amended, IRA monitors the export of commodities which may be in short supply domestically. IRA then makes policy recommendations on the requests for short supply export controls (e.g. wood exports). In addition, IRA provides the private sector and BXA's export licensing office with policy guidance concerning requests to export domestically-produced crude oil.
- Priorities and Allocations -- Under Title I of the Defense Production Act, the Defense Priorities and Allocations System regulation has been established to ensure that the military can obtain the industrial resources needed for national defense, both for current defense programs and during national emergencies. The program assures that industry will assign priority to the production of military hardware and other defense items, and that scarce resources will be allocated to critical national security projects. This priorities and allocations system has enabled defense programs to limit cost overruns and remain on schedule.
- Military Offsets -- Under Section 309 of the Defense Production Act, the Secretary of Commerce must report annually to Congress on the effects of military offset agreements on U.S. industrial competitiveness, defense preparedness, employment and trade. IRA is responsible for preparing this assessment on the impact of offsets at the prime and subcontractor levels as well as tabulating and reporting offset data to be provided by industry in accordance with the new legislation.

IRA was also a major participant in developing an Administration offset policy as required by the 1989 Defense Authorization Act. IRA will continue as a major participant in implementing the President's policy which calls for consultations with foreign governments toward reducing the adverse impacts of offsets and requires periodic reports on progress in this regard. IRA's expertise on offsets is also used to support offset issues that arise in the course of its reviews of defense MOU's under the Defense Authorization Act.

- National Defense Stockpile -- IRA provides Commerce input into activities related to policy development and ongoing operation of the National Defense Stockpile, a holding of strategic and critical materials unavailable domestically in sufficient quantities. IRA co-chairs the inter-agency Market Impact Committee which reviews the impact on domestic and foreign markets of planned Stockpile acquisitions and disposal.

- Foreign Investment Assessments -- Section 721 of the Defense Production Act provides the President with authority to undertake investigations of mergers, acquisitions, and takeovers to determine their impact on the national security. As part of an interagency group chaired by Treasury, IRA conducts a detailed analyses of the proposed foreign investment transactions including: the history and backgrounds of the acquiring U.S. firms; the technologies involved; the existence of military contracts; export control regulations; U.S. and foreign markets for the affected items; and other relevant factors within 30 days of notification of a takeover. Should any concerns be raised within the 30-day period, the interagency group may initiate a 45-day investigation during which IRA conducts even more detailed reviews. Ultimately, a recommendation is made to the President who may take action to limit foreign investment if the national security is threatened.
- Defense Memoranda of Understanding -- IRA is responsible for the Department's statutory role in the review of Defense Memoranda of Understanding (MOU). The Commerce review process is directed towards the identification of potential adverse impacts to U.S. industry which may result from U.S.-Allied Defense Cooperation Agreements. IRA has participated in the review of over 250 MOUs including extensive work on the FSX and Korean Fighter Program agreements. In addition to program review work, IRA coordinates Department participation in MOU negotiations, technical steering committee meetings, and interagency reviews of selected MOUs. IRA is also responsible for developing Department policy positions in consultation with other Commerce elements, on bilateral arms sales, technology flowback, co-production and co-development programs.
- Defense Trade Working Group (DTWG) -- IRA is responsible for the Department's participation in the interagency DTWG which is comprised of representatives of the Department of Commerce, State, Defense, and the U.S. Trade Representative. The DTWG develops defense trade recommendations for U.S. industry within U.S. Government export laws and policies to increase the competition of U.S. industry for foreign defense procurement. The DTWG consists of a senior Plenary Oversight Group, Defense Market Opportunities Subgroup (IRA Chair), Europe Subgroup, Technology Transfer/Third Country Re-Export Subgroup.
- Emergency Preparedness/NDER/NATO -- IRA spearheads Commerce's effort to develop, evaluate, and refine programs to meet Government's enhanced industrial resource responsibilities during a national emergency. IRA prepares readiness plans for the emergency control of industrial production and distribution, and thus ensures the continuity of government operations during a national emergency. IRA recruits and trains the National Defense Executive Reserve, a skilled cadre of industry executives prepared to serve as senior managers of Government industrial resource efforts. IRA participates in inter-agency readiness exercises to train senior policy officials and evaluates the nation's ability to respond appropriately during a national emergency. IRA also represents Commerce during interagency efforts to revise resource base mobilization policy in light of continuing changes in the economic and military dimensions of national security. IRA is also responsible for the Department's role in the coordination of industrial preparedness and economic planning between the U.S. and its NATO allies. IRA represents the United States on the NATO Industrial Planning Committee (IPC), a body which supports the identification of critical industry capabilities and coordination of industrial production during periods of crisis or war.

As the NATO Alliance continues to evolve, the IPC will be involved in economic security issues including, but not limited to: (1) U.S.-European cooperation in industrial technology modernization; and (2) impact of new technologies on the NATO R&D base; (3) the impact of defense conversion on the alliance industrial base and (4) access to foreign (non-NATO) industrial sources.

- Disposition of Excess Defense Articles (EDA) -- IRA is responsible for the Department's participation in the interagency (DOD,DOS,DOC) EDA Review Group. Providing surplus U.S. military equipment on a grant or low cost basis has traditionally been a tool of U.S. foreign policy. However, such actions can also have an adverse economic impact by undercutting the efforts of U.S. companies to sell new hardware to countries receiving U.S. EDA. The loss of such markets can in turn undermine the U.S. defense industrial base and can increase unit prices of U.S. defense equipment purchased by the Department of Defense. Previously, EDA was evaluated only by the Departments of Defense and State. In July 1993, based on industry concerns with the current policy on EDA, IRA was requested to participate in the interagency EDA process to provide industrial base and competitiveness analyses on these proposed transactions. This is a role similar to IRA's review of defense MOUs.
- Bilateral Defense Conversion Committees -- IRA supports BXA's Under Secretary in his role as chairman of the Defense Conversion Subcommittee of the U.S. Russia/Business Development Committee (chaired by the Secretary of Commerce) and in his role as Vice Chairman to DOD's Deputy Secretary on the U.S./Russian Defense Diversification Commission. Further, IRA services as the focal point within BXA for similar defense conversion initiatives with other NIS (e.g., Ukraine, Kazakhstan and Belarus).

Performance Measures for the Industrial Resource Administration

| | FY 1993 | FY 1994 | FY 1995 |
|---|---------|---------|---------|
| Defense Production Act Actions: | | | |
| Priorities and Rating Authorizations/Actions | 1,850 | 1,200 | 1,200 |
| Regulatory Audits, Compliance and Training Actions | 75 | 25 | 25 |
| U.S. National Security Emergency Preparedness Plans | 6 | 2 | 2 |
| Industrial Preparedness Mobilization Exercises (Domestic & International): | | | |
| NDER Training | 8 | 0 | 0 |
| Interagency & NATO Readiness Coordination Exercise | 15 | 10 | 10 |
| International (NATO) Production Base Studies | 20 | 10 | 10 |

| | FY 1993 | FY 1994 | FY 1995 |
|---|---------|---------|---------|
| Offsets in Defense Trade: | | | |
| MOU-related Offset Assessments | 40 | 40 | 40 |
| Offset Impact Studies | 8 | 8 | 8 |
| Offset Country Policy Reviews | 6 | 6 | 6 |
| Foreign Investment Investigations: | | | |
| 30-day Reviews | 200 | 200 | 200 |
| 45-day Investigations | 3 | 3 | 3 |
| Memoranda of Understanding: | | | |
| MOU Reviews | 90 | 60 | 60 |
| Technology Transfer Assessments | 40 | 40 | 40 |
| Interagency Defense Trade Working Group | 110 | 110 | 110 |
| Public and Congressional Information Activities: | | | |
| Mandated Congressional & Presidential Reports | 20 | 15 | 15 |
| Congressional Inquiries | 100 | 70 | 70 |
| Congressional Hearings and Briefings | 25 | 25 | 25 |
| Other Studies or Actions: | | | |
| Industrial Capabilities Studies | 30 | 8 | 8 |
| Critical Technology Assessments | 15 | 6 | 6 |
| Excess Defense Articles Assessments | 0 | 80 | 120 |
| Stockpile Market Impact Analyses | 50 | 30 | 30 |
| Section 232, Investigations | 1 | 1 | 1 |
| Industry/Technology Surveys | 15 | 12 | 12 |
| Industry Conferences | 5 | 10 | 10 |

| | FY 1993 | FY 1994 | FY 1995 |
|--|---------|---------|---------|
| Industry Outreach Initiatives | 105 | 80 | 80 |
| Bilateral Defense Conversion: | | | |
| - Industry Consultations | 0 | 200 | 200 |
| - Multilateral Project Reviews | 0 | 5 | 15 |
| - NIS Facility Directories | 0 | 4 | 4 |
| - U.S. Russia Defense Conversion Subcommittee Mtgs | 0 | 8 | 8 |
| - Trade & Investment Barrier Studies | 0 | 4 | 4 |
| - Conversion Seminars | 0 | 2 | 2 |

Department of Commerce
Bureau of Export Administration
Salaries and Expenses
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Direct Obligations in thousands)

| Object Class | 1993
Actual | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
Decrease |
|--|----------------|--------------------------------|---------------|------------------|-----------------------|
| Personnel compensation: | | | | | |
| 11.1 Full-time permanent | \$18,118 | \$18,183 | \$16,106 | \$18,708 | \$2,602 |
| 11.3 Other than full-time permanent | 684 | 647 | 235 | 235 | 0 |
| 11.5 Other personnel compensation | 1,393 | 1,245 | 1,000 | 1,299 | 299 |
| 11.8 Special personnel services payments | 0 | 0 | 0 | 0 | 0 |
| 11.9 Total personnel compensation | 20,195 | 20,075 | 17,341 | 20,242 | 2,901 |
| 12.1 Civilian personnel benefits | 3,970 | 3,954 | 3,324 | 4,075 | 751 |
| 13.0 Benefits for former personnel | 0 | 0 | 0 | 0 | 0 |
| 21.0 Travel and transportation of persons | 794 | 891 | 1,016 | 1,582 | 566 |
| 22.0 Transportation of things | 13 | 5 | 5 | 5 | 0 |
| 23.0 Rent, communications, and utilities: | | | | | |
| 23.1 Rental payments to GSA | 3,876 | 3,650 | 3,591 | 3,591 | 0 |
| 23.2 Rental payments to others | 56 | 56 | 70 | 180 | 110 |
| 23.3 Communications, utilities and miscellaneous charges | 581 | 854 | 897 | 1,168 | 271 |
| 24.0 Printing and reproduction | 387 | 462 | 262 | 294 | 32 |
| 25.0 Consulting and other services: | | | | | |
| 25.1 Consulting services | 10 | 10 | 10 | 10 | 0 |
| 25.2 Other services | 4,100 | 4,093 | 4,307 | 5,553 | 1,246 |
| 25.3 Purchase of goods and services from Gov't accounts | 4,127 | 5,045 | 5,057 | 5,179 | 122 |
| 26.0 Supplies and materials | 256 | 335 | 221 | 285 | 64 |
| 31.0 Equipment | 38 | 276 | 60 | 1,208 | 1,148 |
| 32.0 Lands and structures | 0 | 0 | 0 | 0 | 0 |
| 33.0 Investments and loans | 0 | 0 | 0 | 0 | 0 |
| 41.0 Grants, subsidies and contributions | 0 | 0 | 0 | 0 | 0 |
| 42.0 Insurance claims and indemnities | 0 | 0 | 0 | 0 | 0 |
| 43.0 Interest and dividends | 0 | 0 | 0 | 0 | 0 |
| 44.0 Refunds | 0 | 0 | 0 | 0 | 0 |

Department of Commerce
Bureau of Export Administration
Salaries and Expenses
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Direct Obligations in thousands)

| | 1993
Actual | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
Decrease |
|---------------------------------|----------------|--------------------------------|-----------------|------------------|-----------------------|
| TOTAL DIRECT OBLIGATIONS | 38,403 | 39,706 | 36,161 | 43,372 | 7,211 |
| Less prior year recoveries | | | 0 | 0 | 0 |
| Total Budget Authority | | | \$36,161 | \$43,372 | \$7,211 |

| | | | | | |
|----------------------------------|------------|------------|------------|------------|-----------|
| Personnel Data | | | | | |
| Full-time Equivalent Employment: | | | | | |
| Full-time permanent | 378 | 286 | 286 | 329 | 43 |
| Other than full-time permanent | 20 | 20 | 20 | 20 | 0 |
| Total | 398 | 306 | 306 | 349 | 43 |
| Authorized Positions: | | | | | |
| Full-time permanent | 378 | 286 | 286 | 346 | 60 |
| Other than full-time permanent | 20 | 20 | 20 | 20 | 0 |
| Total | 398 | 306 | 306 | 366 | 60 |

Department of Commerce
Bureau of Export Administration
Operations and Administration
Detailed Requirements by Object Class

Exhibit-17

(Dollar amounts in thousands)

| Object Class | 1995
Adjustment
to Base | 1995 Base
Estimate | 1995
Increase/
Decrease |
|--|-------------------------------|-----------------------|-------------------------------|
| 11 Personnel compensation: | | | |
| 11.1 Full-time permanent: | | | |
| Executive level | \$14 | \$129 | \$0 |
| Senior executive service | 108 | 1,393 | 0 |
| General schedule/regular employees | 965 | 13,186 | 1,641 |
| General schedule/law enforcement | 177 | 3,039 | 961 |
| Subtotal | 1,264 | 16,106 | 2,602 |
| 11.3 Other than full-time permanent: | | | |
| General schedule | 35 | 235 | 0 |
| Wage board | 0 | 0 | 0 |
| Experts & consultants | 0 | 0 | 0 |
| Hourly | 0 | 0 | 0 |
| Subtotal | 35 | 235 | 0 |
| 11.5 Other personnel compensation: | | | |
| Overtime | 0 | 789 | 249 |
| SES performance awards | 0 | 133 | 0 |
| Cash awards | 0 | 78 | 50 |
| Merit pay awards | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| Subtotal | 0 | 1,000 | 299 |
| 11.8 Special personnel services payments: | | | |
| Foreign service officers (State) | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 |
| 11.9 Total personnel compensation: | 1,299 | 17,341 | 2,901 |

| | 1995
Adjustment
to Base | 1995 Base | 1995
Estimate | Increase/
Decrease |
|--|-------------------------------|--------------|------------------|-----------------------|
| 12.1 Civilian personnel benefits: | | | | |
| Civil service retirement | 7 | 685 | 840 | 155 |
| Federal employees' retirement | (97) | 902 | 1,106 | 204 |
| Thrift savings plan | (1) | 230 | 280 | 52 |
| Federal insurance contribution act | 1 | 420 | 515 | 95 |
| Health insurance | 82 | 968 | 1,187 | 219 |
| Life insurance | 0 | 28 | 34 | 6 |
| Employees' compensation fund | (8) | 35 | 43 | 8 |
| Other | 0 | 56 | 68 | 12 |
| Subtotal | (16) | 3,324 | 4,075 | 751 |
| 13.0 Benefits for former personnel: | | | | |
| Severance pay | 0 | 0 | 0 | 0 |
| Unemployment compensation | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 | 0 |
| 21.0 Travel and transportation of persons: | | | | |
| Common carrier | 0 | 450 | 678 | 228 |
| Mileage | 0 | 11 | 12 | 1 |
| Per diem/actual | 0 | 300 | 456 | 156 |
| Commercial car rental | 0 | 240 | 414 | 174 |
| Other | 0 | 15 | 22 | 7 |
| [Overseas estimates] | 0 | [5] | [5] | [0] |
| Subtotal | 0 | 1,016 | 1,582 | 566 |
| 22.0 Transportation of things | | | | |
| [Overseas estimates] | 0 | 5 | 5 | 0 |
| | 0 | [5] | [0] | [0] |
| 23.0 Rent, communications, and utilities: | | | | |
| 23.1 Rental payments to GSA | 91 | 3,591 | 3,591 | 0 |
| 23.2 Rental payments to others | 14 | 70 | 180 | 110 |
| 23.3 Communications, utilities and miscellaneous charges: | | | | |
| Federal telecommunications system | 0 | 265 | 305 | 40 |
| Commercial telephone services | 0 | 430 | 510 | 80 |
| Postal Service by USPS | 0 | 188 | 202 | 14 |
| Other | 0 | 14 | 151 | 137 |
| [Overseas estimates] | 0 | [30] | [30] | 0 |
| Subtotal | 0 | 897 | 1,168 | 271 |

BXA

| | 1995
Adjustment
to Base | 1995 Base | 1995
Estimate | Increase/
Decrease |
|--|-------------------------------|--------------|------------------|-----------------------|
| 24.0 Printing and reproduction: | | | | |
| Publications | 8 | 252 | 281 | 29 |
| Public use forms | 0 | 1 | 4 | 3 |
| Envelopes | 0 | 4 | 4 | 0 |
| Other | 0 | 5 | 5 | 0 |
| [Overseas estimates] | 0 | [2] | [2] | 0 |
| Subtotal | 8 | 262 | 294 | 32 |
| 25.0 Consulting and other services: | | | | |
| 25.1 Consulting services | 0 | 10 | 10 | 0 |
| 25.2 Other Services: | | | | |
| Maintenance of equipment | 0 | 73 | 95 | 22 |
| ADP related costs | 0 | 22 | 28 | 6 |
| Telecommunications services | 0 | 43 | 55 | 12 |
| Payments to O/S, WCF | 12 | 3,075 | 3,966 | 891 |
| Other Federal Agencies | 0 | 511 | 658 | 147 |
| Other | 0 | 583 | 751 | 168 |
| [Overseas estimates] | 0 | [100] | [100] | [0] |
| Subtotal | 12 | 4,307 | 5,553 | 1,246 |
| 25.3 Purchase of goods and services from Gov't accounts | | | | |
| | 0 | 5,057 | 5,179 | 122 |
| 26.0 Supplies and materials: | | | | |
| Office supplies | 2 | 161 | 207 | 46 |
| ADP supplies | 3 | 60 | 78 | 18 |
| [Overseas estimates] | 0 | [4] | [4] | [0] |
| Subtotal | 5 | 221 | 285 | 64 |
| 31.0 Equipment: | | | | |
| Office machines and equipment | 1 | 17 | 351 | 334 |
| ADP hardware | 0 | 32 | 636 | 604 |
| ADP software | 0 | 5 | 96 | 91 |
| Other | 0 | 6 | 125 | 119 |
| [Overseas estimates] | 0 | [2] | [2] | [0] |
| Subtotal | 1 | 60 | 1,208 | 1,148 |

| | 1995
Adjustment
to Bae | 1995 Base | 1995
Estimate | Increase/
Decrease |
|--|------------------------------|-----------------|------------------|-----------------------|
| 32 Lands and structures | 0 | 0 | 0 | 0 |
| 33 Investments and loans | 0 | 0 | 0 | 0 |
| 41 Grants, subsidies and contributions | 0 | 0 | 0 | 0 |
| 42 Insurance claims and indemnities | 0 | 0 | 0 | 0 |
| 43 Interest and dividends | 0 | 0 | 0 | 0 |
| 44 Refunds | 0 | 0 | 0 | 0 |
| 99 Total Obligations | 1,414 | 36,161 | 43,372 | 7,211 |
| Less prior year recoveries | 0 | 0 | 0 | 0 |
| 99 Total Budget Authority | \$1,414 | \$36,161 | \$43,372 | \$7,211 |

Justification of Proposed Language Changes

Exhibit-32

1. Before the words "for official representation expenses abroad; delete the amount ~~\$22,000~~ and insert the amount \$15,000.

1. "For necessary expenses for export administration and national security activities of the Department of Commerce,"

15 U.S.C. 1501 et seq.
19 U.S.C. 1862
42 U.S.C. 300j
50 U.S.C. 98-98h
50 U.S.C. 401 et seq.
50 U.S.C. app. 2061 et seq.
50 U.S.C. app. 2401 et seq.

Act of December 22, 1987, P. L. 100-202, Section 101(a), Title I, Section 108

15 U.S.C. 1501 et seq. provides the basic authority for performance of those functions and activities of BXA which promote an improved trade posture for United States Industry.

19 U.S.C. 1862 requires the investigation upon request, of the effects on national security of imports of a particular article, and a report of the results of the investigations to the President with a recommendation for action or inaction.

42 U.S.C. 300j authorizes the issuance of orders requiring the delivery of chemicals or substances necessary for treatment of water.

50 U.S.C. 98-98h authorizes the acquisition and retention of stocks of certain strategic and critical materials.

50 U.S.C. 401 et seq. provides for the development of national emergency plans and preparedness programs.

50 U.S.C. app. 2061 et seq. authorizes BXA to set priorities for performance on defense and energy-related contracts and to allocate materials and supplies which are essential for national defense purposes and for maximization of domestic energy supplies.

50 U.S.C. app. 2401 et seq. provides authority for the regulation of exports for reasons of national security, foreign policy, or short supply problems. It also authorizes implementation of restrictions on compliance with foreign boycotts and other restrictive trade practices.

The Act of December 22, 1987, Public Law 100-202, Section 101(a), Title I, Section 108, authorizes the Secretary of Commerce to establish a Buying Power Maintenance account for the Bureau of Export Administration. This fund is to be used to maintain overseas program activity at the appropriated program levels.

2. "including costs associated with the performance of export administration field activities both domestically and abroad;"

22 U.S.C. 2651 et seq.

22 U.S.C. 3901 et seq.

22 U.S.C. 2651 et seq. establishes the Department of State and provides authority for a number of overseas operations. This appropriation language authorizes the utilization of certain of these authorities in connection with the operation of a separate Export Administration field organization.

22 U.S.C. 3901 et seq., the Foreign Service Act of 1980, consolidated and revised the laws relating to the administration and operations of the Foreign Service of the United States. This appropriation language authorizes the Secretary to establish and administer a separate Export Administration field organization and utilize, therefore, the authorities of the Foreign Service Act.

3. "full medical coverage for dependent members of immediate families of employees stationed overseas;"

No Specific Authority

This language permits Export Administration to extend to certain of its overseas employees the same benefits afforded domestically employed Federal employees and employees of ITA's Foreign Commercial Service in equivalent positions overseas.

4. "employment of Americans and aliens by contract for services abroad;"

No Specific Authority

44 CG 761, OPM guidance, and House Report 89-188 have concluded that Federal agencies must have specific authority to employ personnel by contract. In order to handle the full range of Export Administration services abroad, EA may require the use of personnel who speak the language of the host country; are familiar with local practices and procedures; or who only need to be employed for a short period of time. In some cases, however, it is more advantageous to employ U.S. citizens in the host country (generally members of an employee's family) because they have greater familiarity with American methods and, therefore, require less effort to train.

5. "rental of space abroad for periods not exceeding ten years, and expenses of alteration, repair, or improvement;"

No Specific Authority

40 U.S.C. 278a prohibits expenditures for building rental if the rent is more than 15 percent over the fair market value of the premises and prohibits expenses for alterations, improvements, and repairs of rented premises which exceed 25 percent of the rent.

Rental terms are established overseas and may or may not exceed the percentage provisions of 40 U.S.C. 278a. Without this waiver, EA may be unduly hampered in its efforts to meet necessary space needs overseas. To limit expenditures for alterations and improvements would seriously restrict the quality, effectiveness, and security of the premises occupied by Export Administration.

6. "payment of tort claims, in the manner authorized in the first paragraph of 28 U.S.C. 2672 when such claims arise in foreign countries;"

No Specific Authority

28 U.S.C. 2672 provides for settlement of tort claims for money damages of \$2,500 or less against the United States by the head of each federal agency for loss of property or personal injury or death caused by a negligent or wrongful act of any employee of the Government while acting within the scope of his employment in circumstances where the United States, if a private person, would be liable under local law. However, U.S.C. 2680 (k) exempts the settlement of tort claims which arise abroad from the provisions of 28 U.S.C. 2672. The language requested would exempt EA from 22 U.S.C. 2680 and would cover the settlement of tort claims against the United States which arise in connection with EA activities abroad.

7. "not to exceed \$22,000 for official representation expenses abroad;"

No Specific Authority

5 U.S.C. 5536 prohibits additional pay, extra allowances, or compensation unless the appropriation explicitly states that it is for such additional pay, extra allowances or compensation.

8. "awards of compensation to informers under the Export Administration Act of 1979, and authorized by 22 U.S.C. 401(b);"

50 U.S.C. app. 2411
22 U.S.C. 401(b)

50 U.S.C. app. 2411 provides EA with authority to make investigations and obtain such information as may be necessary to enforce the provisions of the Export Administration Act of 1979.

22 U.S.C. 401 (b) provides for awards of compensation to informers concerning illegal exports of war materials or other articles in violation of the law, when funds are specifically provided therefor.

9. "purchase of passenger motor vehicles for official use abroad and motor vehicles for law enforcement use with special requirement vehicles eligible for purchase without regard to any price limitation otherwise established by law;"

No Specific Authority

31 U.S.C. 1343(a) prohibits the purchase of passenger motor vehicles unless specifically authorized by the appropriation concerned or other law with the exception of those for the use of the President of the United States, the secretaries to the President, or the heads of the executive departments.

10. "...to remain available until expended;"

No Specific Authority

31 U.S.C. 1301 provides that appropriations are for the service of the current year "unless it is made in terms expressly providing that it shall continue available beyond the fiscal year for which the Appropriation Act in which it is contained makes provision."

11. "provided that the provisions of the first sentence of section 105(f) and all of section 108(c) of the Mutual Educational and Cultural Exchange Act of 1961 (22 U.S.C. 2455(f) and 2458(c)) shall apply in carrying out these activities."

22 U.S.C. 2455(f)
22 U.S.C. 2458(c)

22 U.S.C. 2455(f) provides authority to accept contributions of funds, property, and services from foreign government, international organizations, and private individuals, firms, associations, agencies, and other groups in carrying out activities pursuant to the Mutual Educational and Cultural Exchange Act of 1961.

22 U.S.C. 2458(c) provides authorization for all necessary expenditures involved in the selection, purchase, rental, construction, or other acquisition of exhibitions and the necessary supplies therefor.

This phrase provides for extension of this authority and permits BXA to collect funds for use in conducting export administration activities.

BXA-105

DEPARTMENT OF COMMERCE
BUREAU OF EXPORT ADMINISTRATION
Operations and Administration

Exhibit-34

CONSULTING AND RELATED SERVICES
(Dollar amounts in thousands)

| | FY 1993
<u>Actual</u> | FY 1994
<u>Estimate</u> | FY 1995
<u>Estimate</u> |
|--|--------------------------|----------------------------|----------------------------|
| Consulting Services | \$10 | \$10 | \$10 |
| Management and Professional Services | 0 | 0 | 0 |
| Special Studies and Analyses | 0 | 0 | 0 |
| Management and Support Services for Research and Development | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | \$10 | \$10 | \$10 |

Consulting Services: BXA will use consulting services to provide continuous training to its employees (\$10,000 in FY 1993, \$10,000 in FY 1994 and \$10,000 in FY 1995).

DEPARTMENT OF COMMERCE
BUREAU OF EXPORT ADMINISTRATION
Operations and Administration

Exhibit-35

PERIODICALS, PAMPHLETS, AND AUDIOVISUAL PRODUCTS

(Dollar amounts in thousands)

| | FY 1992
<u>Actual</u> | FY 1993
<u>Actual</u> | FY 1994
<u>Estimate</u> | FY 1995
<u>Estimate</u> |
|------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| Periodicals and Publications | \$335 | \$371 | \$380 | \$400 |
| Audiovisuals | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| Total | \$336 | \$372 | \$381 | \$401 |

Export Administration publications, periodicals, and pamphlets are one of the most essential tools through which the organization fulfills its mission to administer U.S. statutes and agreements dealing with export controls.

The major publications (periodicals) produced by Export Administration are the Export Administration Regulations, Export Administration Annual Report, and the Annual Foreign Policy Report to the Congress, which account for the bulk of Export Administration periodical costs. Publications play an essential role in keeping the community and the public informed on particular aspects of export control issues.

Pamphlets are primarily used to educate the business community on the functions performed by the Export Administration program and are distributed through Export Administration's export seminar program; by the U.S. and Foreign Commercial Service during individual business counseling sessions; and by Export Administration officials who are participating in training seminars, giving speeches at public functions, and answering questions from the business community regarding exports.

Department of Commerce
BUREAU OF EXPORT ADMINISTRATION
Operations and Administration
Average Grade and Salaries

| | FY 1993
<u>Actual</u> | FY 1994
<u>Estimate</u> | FY 1995
<u>Estimate</u> |
|--|--------------------------|----------------------------|----------------------------|
| Average ES salary | \$104,388 | \$113,146 | \$113,146 |
| Average GS grade | 11.10 | 11.28 | 11.16 |
| Average GS salary | \$39,839 | \$42,245 | \$41,912 |
| Average salary of ungraded positions | 0 | 0 | 0 |

OPENING REMARKS

Mr. MORAN. We have the Acting Under Secretary for Export Administration, Barry Carter, testifying before us. We will put his bio into the record at this point as well.

[The biographical sketch of Mr. Carter follows:]



UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Export Administration
 Washington, D.C. 20230

telephone (202) 482-1427
 fax 482-2387

Biography

Barry E. Carter is the Acting Under Secretary in the Bureau of Export Administration at the Department of Commerce. He will be the Deputy Under Secretary. Mr. Carter previously had been a professor of law at Georgetown University Law Center and the Executive Director of the American Society of International Law. At Georgetown, he taught various law courses.

He has an extensive background in the law, defense and foreign policy issues, and international trade and business. He was active during the Clinton-Gore campaign and the transition, working on trade and foreign policy issues. He was a visiting professor of law at Stanford in spring 1990. He served as a senior counsel on the Senate Select Committee on Intelligence Activities in 1975, with a focus on the defense agencies. He was a Fellow at Harvard's Kennedy School of Government and an International Affairs Fellow at the Council on Foreign Relations in 1972. A member of Dr. Kissinger's National Security Council staff from 1970-72, he worked especially on U.S.-Soviet and European issues. While an Army officer, he was a program analyst in the Office of the Secretary of Defense in 1969-70. He has also practiced law in San Francisco and Washington, D.C., litigating several cases.

Mr. Carter, a native Californian, graduated Phi Beta Kappa from Stanford University in 1964, received a master's degree in economics and public policy from Princeton's Woodrow Wilson School of Public and International Affairs in 1966, and graduated in 1969 from Yale Law School, where he was the Projects Editor of the Yale Law Journal.

He is presently a member of the Council on Foreign Relations and the International Institute for Strategic Studies. Until joining the Department of Commerce, he was also the vice president of the Arms Control Association and chairman of the Advisory Board of the Defense Budget Project.

His book on International Economic Sanctions: Improving The Haphazard U.S. Legal Regime (Cambridge University Press: 1988) received the annual award in 1989 from the American Society of International Law for the outstanding new book on international law subjects. His major casebook on International Law (Little, Brown and Company: 1991) (with Phillip Trimble) is in use in over 70 law schools. Mr. Carter has also written chapters in other books, as well as several articles, including in the California Law Review, Yale Law Journal, Scientific American, Daedalus, Washington Post, and Los Angeles Times.

He is married to Kathleen Ambrose and they have two children.



OPENING STATEMENT

Mr. MORAN. If you would synopsise your testimony, Mr. Carter, we will get right into the questions.

Mr. CARTER. Thank you, Chairman Moran.

I appreciate the opportunity to testify here today on behalf of the Bureau of Export Administration, known in the business as BXA, budget request for fiscal year 1995. By the way, I would like to say that accompanying me today, because we take this hearing very seriously, are all senior officials in BXA.

First of all, sitting appropriately off in the corner and being quiet is our Under Secretary Designate, Bill Reinsch, who will hopefully be our Under Secretary soon, and then I will revert to being Deputy Under Secretary. Also here are Assistant Secretaries John Despres for Export Enforcement and Sue Eckert for Export Administration; and our Chief Administrative Officer, Bob Kugelman.

As you suggest, to allow time for questions, I won't give my prepared testimony. I ask that it be made part of the record. And what I would like to do is give you introductory comments and limit them to about four or five minutes, if that is possible.

Our request today seeks funding for several key elements of the President's National Export Strategy, and his efforts to combat proliferation. The request is for 366 permanent positions and \$43.4 million. This request is less than 1 percent of the total Department of Commerce budget. Moreover, the fiscal year 1995 request represents 40 percent fewer positions than you and Congress authorized for fiscal year 1991.

Though small, the Bureau of Export Administration provides a lot of bang for the taxpayer's dollars. Two weeks ago, the lead article on the first page of The New York Times, I think that it was the day after we came up to see Ms. Chadbourne and the other staff members, was about the roll-out of the proposed new Export Administration Act. The Administration is proposing the most comprehensive changes in the Export Administration Act in at least 15 years.

BXA is primarily responsible for enforcing and administering the Act. Chairman Moran, you were discussing earlier the Trade Promotion Coordinating Committee, the TPCC. As Jeff Garten pointed out, one of the key highlights of the TPCC report last September was the steps to eliminate obsolete export controls on many high-technology products, especially computers and telecommunication products. We had to implement those changes. The removal of these outmoded Cold War controls alone freed up over \$30 billion a year of computer exports from the requirement for written licenses.

This removes a burden on U.S. businesses, meaning more sales and more jobs. The TPCC report also called for streamlining the remaining controls that we didn't eliminate, to allow U.S. businesses and workers to compete better in the world market. We have to do that streamlining.

Tomorrow three of us are going to depart with Secretary of Defense, William Perry, on a trip to Russia, Ukraine, Kazakhstan and Belarus to work on foreign defense conversion issues there. One important goal is to help make it easier for U.S. companies to sell

products to those countries. In fact, Congressman Rogers, before we get back from that trip, if the ambassadors haven't yet put the reports on line, we will put it on one of the Department of Commerce's information systems.

The end of this month, the Coordinating Committee or CoCom, comes to an end after 45 years. This is the principal international export control regime. The follow-on successor regime will place more emphasis on decisions by national licensing officers rather than international regime. This makes it even more important for the U.S. system to be streamlined and efficient so that we don't put our companies at a competitive disadvantage.

When we are relying on national export controls, we'd better be efficient and effective and not hurt ourselves vis-a-vis the Japanese and the Germans. Again, BXA is taking the lead in the United States on streamlining.

And in April, BXA will participate in the high-level meetings of the Joint Committee on Commerce and Trade, the JCCT, with officials from China to discuss trade with that country.

In short, BXA has a lot going on with less than 1 percent of the Commerce budget.

Our primary mission in BXA is to protect U.S. national security, foreign policy and economic interests through the system of export controls on so-called dual-use goods, civilian goods and technologies that have military applications.

We will use the proposed new Export Administration Act to better address the post-Cold War need to fight proliferation, combat terrorism, curb human rights abuses and foster regional stability. While we are creating an efficient system that allows U.S. businesses to compete in the world market, our enforcement arm wields a wide variety of administrative and criminal sanctions against those parties who violate U.S. export control laws.

A key element of BXA's program is helping exporters to understand and comply with the rapidly changing export controls. New proliferation-related controls are often complex. BXA conducts various activities to assist exporters in understanding these new controls.

Our outreach programs provide licensing, regulatory and enforcement counseling to exporters throughout the United States and overseas, including Springfield, Virginia, and other places throughout the United States. The effectiveness of U.S. export controls is enhanced by aggressive enforcement efforts at BXA and the U.S. Customs Service to prevent diversion of sensitive technology.

As mentioned, Chairman Moran, our request is for \$43.4 million for fiscal year 1995. This is fully supportive and consistent with the goals of the Department and the Administration. As described in the budget documents which you made part of the record, the request includes increases to fund new functions for us to implement the recommendations of Vice President Gore's National Performance Review, and of the Trade Promotion Coordinating Committee, and also to restore critical technical and law enforcement capabilities which have been eroded by budget reductions in the last few years.

The request is over \$8 million higher than our 1994 appropriation. But \$7.2 million of that is in new program increases, after ad-

ministrative savings. Specifically, we are proposing the following increases for BXA in fiscal year 1995.

First, \$4.4 million and 39 positions for Export Administration (EA). This is for EA's growing role in the area of nonproliferation controls and the lead responsibility for reforming and streamlining the overall export control system. The resources are going to be used to address major gaps in our technical staffing.

For instance, today we have no nuclear engineer, no chemical engineer, no biologist. And we lack sufficient expertise in aerospace and telecommunications. We need to change this if we are to make our export control system more effective and efficient.

Those funds also will provide technical assistance to the former Soviet Union Republics and to other countries so that they can develop effective export control systems and we will be able to sell more items to them.

The funds will also be used to make needed investment in our aging computer network and workstation system and begin implementation of the TPCC recommendations to have inter-operable databases among the agencies so that we will be more efficient. We want the computers to be able to talk to each other and streamline the system.

We are also going to use the funding to expedite license processing, jurisdictional dispute resolution, and control list revisions. Collectively, these initiatives will make a significant contribution to stopping nonproliferation, while helping to promote U.S. exports.

Our second request is \$3.3 million and 28 positions to restore export enforcement field offices to fiscal year 1990 levels. Our special agent levels now authorized in 1994 are 35 percent below the corresponding 1990 levels, even though the number of cases has doubled and they have become more complex.

Our Export Enforcement Division cannot maintain its eight field offices or meet its statutory obligations at the current resource level. We expect that the memorandum of understanding that we concluded with the U.S. Customs Service last September will increase potential enforcement actions above our current projections.

Some good news—our budget request for 1995 also includes an offsetting reduction of seven positions and \$492,000 because of administrative and personnel savings.

I thank you again for the opportunity to appear before you. I and my colleagues are happy to respond to your questions.

[The prepared statement of Mr. Carter follows:]

**PREPARED STATEMENT BY
BARRY E. CARTER
ACTING UNDER SECRETARY FOR EXPORT
ADMINISTRATION
DEPARTMENT OF COMMERCE**

**Before the Subcommittee on Commerce, Justice
State, the Judiciary and Related Agencies
Committee on Appropriations
House of Representatives
March 15, 1994**

Mr. Chairman and members of the subcommittee, thank you for providing me the opportunity to testify on behalf of the Bureau of Export Administration's (BXA) budget request for fiscal year 1995. Our request comprises a total of 366 permanent positions and \$43,372,000. It will enable BXA to meet the new responsibilities of the post-Cold War by maintaining an export control system that meets the needs of our changing world -- facilitating trade while at the same time safeguarding national security.

BXA's challenge is to help stem the proliferation of weapons of mass destruction without unnecessarily impeding U.S. export growth. BXA is committed to stimulating export growth by eliminating outdated export controls and streamlining the licensing process for the remaining controls. BXA is playing a major role in updating existing export control policies to reflect the dramatic changes that have taken place in the international political and economic systems.

Our primary mission is to protect U.S. national security, foreign policy and economic interests through a system of export controls on civilian goods and technologies with military applications. BXA implements and enforces the Export Administration Act (EAA). The EAA is being refocused to better address the post Cold War need to counter proliferation activities, combat terrorism, curb human rights abuses, and foster regional stability. BXA's enforcement arm wields a wide variety of administrative and criminal sanctions against parties who violate U.S. export control laws.

The nature of the enforcement challenge has changed as a result of multi-lateral decontrol agreements and the decision by the United States to pursue an aggressive policy to stem the proliferation efforts of such countries as Iraq, Iran, Libya and North Korea. BXA is working with the Department of State and Defense to assist Russia and other newly emerging countries to develop effective export control systems and convert their defense industries to civilian production. The effectiveness of U.S. export controls can be severely undercut if other potential supplier nations do not also have effective export control systems. In addition, the establishment of appropriate systems in the NIS will permit the United States to export higher levels of technology to these countries.

A key element of BXA's program is helping exporters to understand and comply with the rapidly changing export controls. New proliferation-related controls are often complex. BXA conducts various activities to assist exporters in understanding these new controls. Our outreach programs provide licensing, regulatory, and enforcement counseling to exporters throughout the United States and overseas. The effectiveness of U.S. export controls is enhanced by aggressive enforcement efforts at BXA and the U.S. Customs Service to prevent diversion of sensitive technology and to investigate and prosecute those who violate the law.

Our request of \$43.4 million for FY 1995 fully supports the goals of the Department and the Administration. This request is \$8.7 million higher than our 1994 appropriation, and includes increases of \$1.4 million for adjustments-to-base and \$7.2 million in program increases, after administrative savings.

The Bureau of Export Administration budget has four program activities: Management and Policy Coordination (MPC); Export Administration (EA); Export Enforcement (EE); and Industrial Resource Administration (IRA).

Management and Policy Coordination

The Office of the Under Secretary for Export Administration is responsible for: (1) policy oversight for the implementation of the Department's strategic trade,

foreign policy, defense industrial base, short supply, defense conversion, foreign technical assistance and antiboycott program responsibilities; (2) coordination of BXA's interactions with other agencies, the international community, the Congress, the press, and the business community; and (3) decisions on appeals of license application denials and Administrative Law proceedings.

Export Administration

The primary mission of Export Administration (EA) is to manage an efficient system of export controls over commodities and technologies for national security, foreign policy and short supply reasons, without placing an undue burden upon U.S. industry.

EA develops the appropriate export controls to protect vital U.S. interests, issues up-to-date export regulations to implement these controls, and operates a licensing system that issues timely and accurate export licensing decisions to U.S. industry.

In order to ensure that U.S. export controls achieve their ultimate strategic objectives, and to see that U.S. industry is not placed at a competitive disadvantage, EA is working with the four multilateral export control regimes (the Missile Technology Control Regime, the Australia Group, the Nuclear Suppliers Group and

the Supercomputer Control Regime) to develop an effective replacement regime for CoCom after its March 31, 1994 expiration. EA is pursuing the reforms called for in the Trade Promotion Coordinating Committee (TPCC) and the National Performance Review (NPR) reports to the President. I would like to briefly summarize EA's accomplishments during the last sixteen months of the Clinton Administration.

FY 1993-94 Accomplishments

- Export controls on electronics, sensors and lasers, computers, and telecommunications were reduced. The most significant changes occurred in computers and telecommunications. For example, reduction of computer export controls for proscribed and free world destinations will remove an estimated \$30 billion of computer exports from written licensing requirements.
- There has been a significant increase in the number of licenses approved for export to the former Soviet Union and its former Warsaw Pact allies. CoCom offered these countries less burdensome control procedures, provided that they commit to adopting CoCom-like export controls. So far, Poland, Russia, Kazakhstan, Ukraine, Mongolia, Bulgaria, Latvia, and Romania have been made eligible for "favorable consideration" treatment. Pending completion of BXA's technical assistance and defense conversion projects, there should be further increases in the number of high-technology exports to these countries in the future.
- BXA adopted the work agenda recommended by the Trade Promotion Coordinating Committee (TPCC) to further streamline the licensing system and liberalize export controls. The TPCC, which is chaired by the Secretary of Commerce and includes the Secretaries of Defense, Energy, and

State, proposed immediate action to increase U.S. exports. This action included reducing licensing requirements for computers and supercomputers, and removing prior licensing requirements for telecommunications equipment to most Western destinations. BXA has nearly completed implementation of these recommendations and is proceeding with the other elements of the TPCC reform agenda.

- BXA assisted in the development of export control laws and regulations by Belarus, Bulgaria, the Czech Republic, Kyrgyzstan, Poland, Romania, Russia, and the Slovak Republic. In addition, BXA was actively engaged in broad export control development efforts in Belarus, Russia, Ukraine, and Kazakhstan. On March 29th, we will be hosting a delegation of export control officials from these countries.
- BXA participated in export control consultations with South Korea, Taiwan, and India with the goal of improving their export control programs.
- Sudan was added to the list of terrorist supporting countries, triggering the consideration of new foreign policy controls toward that country. Export controls toward Iran and the embargo on Cuba, were further tightened. Some export control restrictions on Vietnam were recently reduced.
- BXA supported U.S. efforts in the Australia Group (AG) to prevent the proliferation of chemical and biological weapons. The AG achieved substantial consolidation of its export control lists covering chemical weapon precursors, biological organisms, and related production equipment and technology.

- AG participating countries also agreed on procedures to ensure that chemical and biological export license denials, made by one member country, would be respected by other members. This is a vital step in strengthening multilateral cooperation.
- BXA became more active in the interagency support for the Missile Technology Control Regime (MTCR), a multilateral group dedicated to controlling the proliferation of missile-related goods and technology. The MTCR increased its membership with the addition of Iceland. Russia has agreed to adhere unilaterally to the MTCR guidelines and may wish to join formally in the future.
- BXA sponsored and participated in export licensing seminars throughout the United States and overseas which drew over 12,000 exporters. These events help the business community understand the export control system.
- Two issues of the BXA Insider were published. This publication provides current information on changes to U.S. export control regulations and policies to about 30,000 exporters. Our Exporter Counseling staff received approximately 300,000 inquiries and provided individual company counseling to over 1,700 exporters.
- BXA completed foreign availability assessments on modems, computers, oil well perforators, and telecommunications equipment. These resulted in the decontrol of billions of dollars of U.S. exports.

Proposed Changes in Export Administration

We are proposing an increase of 39 positions and \$4,404,000 for Export Administration. This increase is in response to the Trade Promotion Coordinating

Committee's initiatives to reform the federal export control system. Our increase request is necessary to implement the TPCC and NPR recommendations and includes the following:

- **22 positions and \$1,704,000** is needed to acquire expertise in areas where export controls have expanded, areas such as nuclear physics, chemical engineering, biology, and aerospace. BXA currently lacks technical personnel in these and other important disciplines such as telecommunications; hence, licensing, policy development and commodity classifications are at risk.
- **9 positions and \$935,000** will fully fund BXA's government-to-government technical assistance program designed to help officials in Eastern Europe and the NIS, as well as other countries of proliferation concerns, develop export control programs similar in scope and effectiveness to that of the United States. BXA has unique practical and technical experience in several major areas including: (1) multilateral export control policy; (2) legal procedures; (3) administrative processes; (4) licensing; (5) preventive enforcement; and (6) automation. However, we require additional staff to fully implement this initiative which has payoffs for meeting U.S. non-proliferation and export growth goals.
- **5 Positions and \$415,000** is needed to further expedite the export licensing process. An expedited licensing process is essential to increasing the competitiveness of U.S.

firms in today's world markets. This increase will fund "continuous improvement" efforts in our license processing and commodity classification process.

- **3 positions and \$1,350,000** is needed to improve the interagency licensing system. License applications often require the review of several Departments. It is imperative that relevant and updated information pertaining to each application be shared on a real time basis via interactive computer links. This increase will fund 5 specific automation needs.

We are proposing a decrease of 4 positions and \$283,000 for Export Administration due to an overall reduction to BXA's base program and to reflect the Government-wide effort to implement program efficiency savings.

Export Enforcement

The primary mission of Export Enforcement (EE) is to safeguard strategically controlled commodities and technical data and prevent the proliferation of weapons of mass destruction. EE accomplishes its mission through investigations of suspected violations of the Export Administration Act and Regulations and a proactive preventive enforcement program. Investigations are conducted by EE Special Agents attached to our Washington headquarters and eight domestic field offices. These Federal law enforcement officers are specially trained in the EAA and in preventing the diversion of controlled U.S. goods. When violations are found, EE

pursues criminal or administrative sanctions, or both, as the facts warrant. EE works closely with the FBI, the Department of Justice, the U.S. Customs Service, the intelligence community and other law enforcement agencies.

In addition to investigations, EE also conducts an extensive proactive preventive enforcement program which emphasizes close enforcement-industry cooperation. One of EE's key programs, in cooperation with industry, is the "The Business Executives Enforcement Team, (BEET)" which was developed to help industry understand the importance of compliance with U.S. export control laws and to recognize the signs of potential illegal transactions. Equally important, EE's "Operation Outreach" program provides enforcement officers with valuable industry contacts who are sources of information regarding potential violations, while at the same time providing the opportunity to assist industry on enforcement issues. EE screens export license applications and shipments to detect potential diversions of controlled U.S. goods and technology.

Finally, EE continues to play an important role in U.S. Government efforts to assist the NIS, Central and East European countries, as well as countries of potential proliferation concern to develop their own effective export enforcement systems.

Export Enforcement also has the important function of administering and enforcing the "antiboycott" provisions of the Export Administration Regulations. The primary focus of these provisions is to ensure that U.S. companies do not participate in the Arab League boycott of Israel. Antiboycott Compliance Officers conduct investigations throughout the United States of alleged violations of the antiboycott provisions. When violations are detected, criminal prosecution or administrative penalties are pursued.

FY 1993-94 Accomplishments

- BXA signed two agreements with the U.S. Customs Service to enhance enforcement and licensing efforts. As a result, BXA is providing licensing information to Customs through the Treasury Enforcement Communications System (TECS) for more efficient clearance of exports at U.S. ports and borders. Customs is in the process of providing BXA access to TECS so that Customs cases which do not warrant criminal prosecution will be referred to EE for administrative sanctions.
- Agreement with the Customs Service was also reached on essential "Export Enforcement Coordination Procedures", which set forth each agency's responsibilities and describe mechanisms for coordinating enforcement efforts at ports, borders, and overseas. Both agencies believe these agreements will result in better informed licensing decisions, quicker enforcement responses in urgent circumstances, expedited investigations, more preventive enforcement actions, more joint cases, and fewer duplicative investigations.
- As part of its preventive enforcement efforts, EE regularly reviews export license applications of enforcement interest. During FY 1993, EE initiated 559 pre-license checks (PLCs) to assess

diversion risks. In addition, 259 Post-shipment verifications (PSVs) were carried out to determine whether controlled U.S.-origin equipment was being used as authorized under the license.

- Due to growing concerns about the proliferation of nuclear, chemical, and biological weapons, and missile delivery systems, EE expanded its Strategic and Non-Proliferation Enforcement Program (SNEP). SNEP is being used by EE to increase efforts to identify companies that trade on a routine basis within designated countries and regions, expand proliferation concern, expand information-sharing among relevant U.S. Government agencies to gather leads on export control violations in these countries and regions, review SEDs to detect illegal use by U.S. exporters of general licenses, and increase efforts to educate U.S. firms on their obligations under the U.S. non-proliferation export control laws.
- EE's unique "Safeguards Verification" program is designed to provide a mechanism for verifying that controlled U.S.-origin goods exported to countries of concern are subject to adequate enforcement safeguards. This program sends teams of enforcement personnel to conduct on-site pre-license checks and post shipment verifications as well as to educate host government officials and local business officials on export control issues. During FY 1993-94, 12 Safeguard Verification teams have conducted on-site, 96 PLCs and 221 PSVs in 19 countries around the world.
- Export Enforcement also has enhanced its efforts to prevent violations by expanding its contacts with U.S. business. Export Enforcement's Business Executives Enforcement Team (BEET) assisted corporate officials by providing a forum through which they can address questions directly to enforcement officials about export enforcement issues. EE held 8 "town hall" meetings throughout the country during FY 1993 where over 1500 business executives were able to discuss their concerns.

- During FY 1993-94, EE field agents conducted 1,492 "Project Outreach" visits to U.S. firms to solicit their support of EE's export enforcement mission. These informational visits were to a wide variety of U.S. firms, concentrating on manufacturing industries involved in commodities controlled for non-proliferation purposes.
- Export Enforcement began using a comprehensive database of Shipper's Export Declaration (SED) information to detect EAA and EAR violations. EE added to its SED Review program specific computer programs which isolate exports of equipment and technology that could contribute to the production of nuclear, chemical and biological weapons and missile delivery systems. This program is intended to isolate transactions involving particularly sensitive items used in proliferation projects.
- In FY 1993, EE cases resulted in \$7.08 million in civil penalties and \$601,225 in criminal fines for both antiboycott and export control violations of the EAA and EAR. EE collected civil penalties (including a two year denial of export privileges to Saudi Arabia and Syria) totalling nearly \$7 million as a result of agreements reached in 37 antiboycott violation cases.
- In a notable FY 1993 EE investigation, Baxter International, a major U.S. medical supply firm, pled guilty to violating the antiboycott regulations following an extensive investigation by EE criminal investigators and antiboycott compliance officers. A \$500,000 criminal sanction and more than \$6 million in civil penalties were imposed against Baxter and related parties.

Proposed Changes in Export Enforcement

We are proposing an increase of 28 positions and \$3,299,000 for Export Enforcement. This increase is necessary to ensure that EE can continue to meet its

statutory responsibilities. Without additional funding EE will be unable to continue to maintain and operate its national structure of eight field offices. Major EE investigations in these regions cannot be sustained without additional personnel and funding for salaries, travel, and training. This increase will help to ensure that decontrol and dual-use export expansion do not impair national security.

We are proposing a decrease of 3 positions and \$209,000 for Export Enforcement due to an overall reduction to BXA's base program and to reflect the Government-wide effort to implement program efficiency savings.

Industrial Resource Administration

The Office of Industrial Resource Administration (OIRA) is the principal unit within the Department responsible for ensuring that U.S. defense-related industries can meet current national security requirements and the prospective requirements of the post-Cold War era. OIRA also plays a support role within the Commerce Department for facilitating a conversion of U.S. defense-related enterprises to commercial markets. OIRA also supports BXA in implementing the Administration's major initiatives to promote defense conversion efforts in Russia and several other Newly Independent States (NIS).

Given the rapidly changing geopolitical, economic and strategic challenges associated with the ending of the Cold War, OIRA's focus is centered on: (1) increasing U.S. defense trade opportunities; (2) ensuring that U.S. trade and investment policies do not erode critical U.S. technological capabilities or have disruptive market impacts; (3) analyzing potential production/technology impediments of critical defense industries and proposing appropriate remedial action; (4) facilitating the conversion of certain U.S. defense industries to civil production; and (5) facilitating the conversion of certain Russian and NIS's military enterprises to civil applications while expanding U.S. trade opportunities.

FY 1993-94 Accomplishments

- OIRA completed an assessment of the ceramic packaging industry's ability to support overall U.S. semiconductor manufacturing under Section 232 of the Trade Expansion Act. Significant problems were identified and the President approved initiatives to address them.
- OIRA continued its leadership role in the FS-X program with Japan, working with officials of the Department of Defense and the U.S. Air Force to develop a series of visits to Japan to promote U.S. industry access to Japanese FS-X related technologies.
- OIRA played the lead role in crafting the development of a pilot program on defense conversion for the State of California.
- OIRA provided on-going staff support to BXA's Under Secretary who chairs Russian Defense Conversion Committees involving Commerce and Defense. Work completed includes the

development and publication of a directory of Russian defense establishments to help U.S. industry identify potential defense conversion opportunities in Russia. A similar directory is underway for the Belarus and Ukraine defense establishments. The office supports a broad range of foreign meetings and U.S. business roundtable discussions dealing with Russian Defense Conversion issues and initiatives.

- OIRA conducted studies on the technological competitiveness of over 2,000 domestic companies that will participate in the design and production of the next generation of weapons systems. Three of these studies (advanced ceramics, advanced composites, and optoelectronics) have been published by NTIS. Three additional assessments, covering artificial intelligence, flexible computer-integrated manufacturing, and superconductivity, are being finalized for publication during FY 1994.

Mr. Chairman, I strongly urge full funding of the President's request. Our total budget is less than 1% of the Department of Commerce. However, even at the fully funded FY 1995 level, BXA will be operating with 40% fewer positions than authorized by the Congress for FY 1991. We believe that we have downsized in a responsible manner and that the resources requested for FY 1995 are fully consistent with the agency's mission responsibilities of the post-Cold War, support the TPCC and NPR recommendations and the comprehensive changes to the Export Administration Act.

Mr. Chairman, this concludes my prepared testimony. Thank you for providing BXA with the opportunity to testify before this subcommittee.

I would be happy to answer any questions you may have regarding the programs of the Bureau of Export Administration.

Mr. MORAN. Mr. Mollohan, you have to leave at 3:30, I understand. So do you want to get a question or two in now?

COCOM

Mr. MOLLOHAN. If I could ask a couple, thank you. Thank you for your testimony.

It wasn't too long ago that the House Banking Committee, and the subcommittee which has jurisdiction sent you a letter expressing concern about CoCom is termination before another regime is in place. Could you speak to that?

Are those concerns legitimate? And did you abolish CoCom too quickly or not get another regime in line early enough?

Mr. CARTER. CoCom goes out of business officially at the end of March. But, there is an agreement among the participating countries that controls will continue on sensitive items until there is a new regime.

There are active negotiations going on, led by the State Department, to create a new regime. And there is progress there. But in the interim, the controls just won't end.

Mr. MOLLOHAN. You feel comfortable that that will be respected and that there is no cause for concern?

Mr. CARTER. Well, we are doing our best. The United States Government, led by State Department, is working to negotiate a new regime as quickly as possible. In the meantime, we are doing our best to keep the existing controls, the important ones, in place. The Commerce Department has a role in making sure that there is no gap there, or a void.

EXPORT CONTROL REFORM BILL

Mr. MOLLOHAN. When the Administration unveiled its export promotion plan last September, industry had a favorable response. They seemed to have cooled a bit toward the Export Control Reform Bill, proposed by the Administration, in particular I am referring to the National Association of Manufacturers. Do you have a comment on that?

Mr. CARTER. I think what has happened, we do talk and deal with business on a regular basis, is that the TPCC was an unmitigated blessing for everyone. When we got rid of Cold War controls that were left over from 1990, everyone agreed that they were obsolete. However, in developing the new framework for the future consensus became more difficult.

Mr. MOLLOHAN. So it was an euphoria associated with moving?

Mr. CARTER. Yes, the liberalization it was long overdue. The new framework for the future is trying to balance two very important considerations. There are others, but the major goals are trying to stop proliferation, which is a serious problem, and to try to promote exports. In making that balance, the National Association of Manufacturers feels that maybe we should promote exports more.

We have tried to strike the balance as best we can. Moreover, I testified on the Senate side for the Commerce Department, when we rolled out the proposed new law and we made it very clear that we are willing to work with Congress, with the business community, and with others to make it a better bill.

We don't think we have a monopoly on good ideas. The process is ongoing. We think we have come a long way already, but we are willing to work further with the business community and with Congress, the House and the Senate.

Mr. MOLLOHAN. Thank you.

Thank you, Mr. Chairman.

Mr. MORAN. Thank you, Mr. Mollohan.

The budget last year asked for a decrease of \$8.6 million. But now you are asking that that be restored. Has the Administration suddenly got the faith or what—why the turnaround?

EXPORT CONTROLS

Mr. CARTER. Life is an educational process and I think this Administration made a decision at the very start of the Administration to cut the BXA budget. The reduction was a little over \$6 million. This summer, as a result of the Trade Promotion Coordinating Committee Report, which you discussed with Under Secretary Garten, and Vice President Gore's National Performance Review, people realized that export controls were a major obstacle to exports. We burden U.S. businesses—witness NAM's reaction—and the best way to improve the system is to spend some money on it, to update it, to streamline it, to bring in the new computer systems, and bring in the technical people.

So, it was that educational process, where people realized that we have got to improve the system, because it is a major burden on exporters. Also, BXA has been given new responsibilities as well. Besides streamlining the old system, we are being told to go out and assist these new countries in developing their own export control system.

It doesn't do much good for the United States to have the best export control system in the world if, say, the Russians might be shoveling stuff out the door to the wrong people or the Chinese to the wrong people. What we must do is work with these other countries to help them have effective export control systems. That takes time and money to sit down and provide that assistance. That is a new function for us.

DEFENSE CONVERSION

Similarly, we are getting more into defense conversion issues, trying to help out there. We have a program that is nationwide, including California, but nationwide. We are working on that effort, which we have not done as much in the past.

CHEMICAL WEAPONS CONVENTION

And finally, we have coming down the pike a whole new problem, the Chemical Weapons Convention. At some point, the Convention will be approved by the Congress, and we will have to enforce and deal with compliance there.

So, what we'd like to do is: one, what we used to do better so that we don't burden exporters; and two, carry out our new tasks. That is why, Secretary Brown, OMB, President Clinton—everyone up the line—agreed that there ought to be this increase.

EXPORT ADMINISTRATION ACT REAUTHORIZATION

Mr. MORAN. What about the authorization, it expires the end of June for this year?

Mr. CARTER. For the present statute, exactly.

Mr. MORAN. Do your program plans get changed at all if it is not reauthorized by then?

Mr. CARTER. Well, we hope that the House and the Senate will pass legislation similar to what we have proposed by the end of June. If for some reason that doesn't happen, no one wants to throw away the whole system.

The President can invoke his emergency powers and continue the system as he has done before. So we are hoping the system will change. We are planning for the streamlining and all, and we hope that this moves forward in a timely manner. It can only be more difficult if it doesn't go forward in a timely manner.

FTE REDUCTIONS

Mr. MORAN. Part of the complaint has been the bureaucracy at BXA. What have you done to streamline that bureaucracy?

Mr. CARTER. Everything we can think of, and we will be trying some more things. First of all, in terms of manpower, we will be down about 40 percent from fiscal year 1990 numbers and 1991 numbers.

Mr. MORAN. What do you mean down 40? Personnel?

Mr. CARTER. Personnel.

Mr. MORAN. You are down 40 percent?

Mr. CARTER. Let me give you the exact number, Mr. Chairman. At one point in fiscal year 1991, our authorized personnel was 561. We are asking now for 366. What has happened is that we used to do a lot more licenses—100,000 a year so we had a lot of licensing people.

It was simple stuff, whether to allow Macintosh computers to Russia or not, and it was pretty clerical. We are now doing fewer licenses, but we are licensing and assessing much more complicated matters such as computer-chip makers to China, and determining the end user. Consequently, we spend a lot of time on those issues. So we need a much more technical, professional staff than the one we presently have and different from the people we had before. That is why we need these technical positions, nuclear engineers, biologists and others. But it will be a much smaller staff than in FY 1991.

So, one, we slim down, we downsize. Two, we enhance our foreign technical assistance, foreign defense conversion, and try a whole new approach of a BXA-wide working group. My administrator, Bob Kugelman, is already in the process of evaluating options for changing the entire administrative structure. In fact, Bob, who is a career professional, has come up with ideas that are quite revolutionary. And Sue Eckert in Export Administration has pending major changes for reorganization as well.

We don't yet have those to bring to the table. They are in the process of being formulated. In Export Enforcement, John Despres is assessing how we can restructure and expand our efforts there. By the way, we are one of Vice President Gore's reinvention labora-

tories. We realize that we were not the most modern organization in the world.

The professionals at BXA that I work with are absolutely first rate, I want to say that, but BXA used to be more of a clerical operation. We are changing in many ways to reflect the new demands on us. Simply put, the demands on us are extraordinary, we must change, and we will.

Mr. MORAN. We hear you. You have made a very effective presentation and, obviously, know your stuff.

Mr. ROGERS.

Mr. ROGERS. Mr. Chairman.

DEFENSE CONVERSION

Now, do you have a California initiative?

Mr. CARTER. In defense conversion, we have a program that includes activity in California, but it also includes activity around the country.

Mr. ROGERS. Well, surely a Stanford University graduate and a native Californian would have a California plan somewhere?

Mr. CARTER. I will admit an affection for my home State, I will not deny it. But, Congressman Rogers, if I could just respond to you, two weeks ago, I spent an hour with Dede Kern, who is with the National Coal Association, and also had my special assistant talk to her for an hour on the phone. She is going to Poland, Ukraine and other places. One of the issues she will deal with is selling them our technology equipment for coal mining.

We can't ship a lot of coal to Poland. In export controls, whenever there is technology involved we try to help. When I go to Ukraine, we will worry about that.

[CLERK'S NOTE.—The following information was submitted for the record subsequent to the hearing:]

COAL EXPORTS

The export of coal does not require a validated license from the Department of Commerce. The technology for processing coal for use as fuel does not require a validated license, but the technology for using coal as a raw material for the production of certain chemicals or other commodities may require a validated license (the area of concern is the production of chemical weapons and chemical weapon precursors). For those technologies for which validated licenses are required, there are at this time no initiatives being taken to liberalize the controls.

Mr. ROGERS. I hope you have good luck selling coal equipment. I would be much more thrilled if you were selling coal. We don't make much equipment. We mine a lot of coal.

Now, you are involved in the conversion of U.S. defense-related enterprises to commercial markets?

Mr. CARTER. Yes.

INDUSTRIAL RESOURCE ADMINISTRATION

Mr. ROGERS. What specific activities does the industrial resource administration office undertake in that regard?

Mr. CARTER. I will give you a good example. Those defense industries which used to supply goods to the Pentagon are not used to exporting under our export control regime. They made military weapons for the Pentagon, and if they made any export sales abroad, it was under the State Department Munitions List.

If they want to convert their defense industry to commercial items—from F-15 fighters, to say, commercial aircraft or things of that sort—they will need to learn a lot more about our system. So, we have people who go out and talk to them about how to deal with what is a complicated system. We are trying to make the system simpler, but exporters must learn it if they want to deal with it.

Mr. ROGERS. And what is the total level of resources being devoted to that this year, in this country?

Mr. CARTER. There are about 20 people in the Office of Industrial Resource Administration (OIRA) and a good percentage of them work on U.S. defense conversion issues. We did get a transfer grant to beef up our efforts there \$1.2 million from EDA. That was money well spent by EDA, I think. But I would estimate that a good percentage of the time 20 people are on that.

Mr. ROGERS. And they are all in-house?

Mr. CARTER. They are in Washington and our field offices.

Mr. ROGERS. Do you contract out for any of those services?

Mr. CARTER. We don't, no. We have very few consultants on the payroll. When we are downsizing like this, we rely on our own people.

Mr. ROGERS. Okay, thank you.

Thank you, Mr. Chairman.

Mr. MORAN. Okay.

Thank you, Mr. Rogers.

That will conclude the hearing.

You have told us enough information and I think, we can make an informed judgment.

That will conclude the hearing for the subcommittee for this afternoon.

We will meet again at 10 a.m. tomorrow morning.

Thank you.

[The following questions were submitted to be answered for the record:]

Questions Submitted by Congressman Smith

Proposed Legislation

QUESTION:

Last month, the Administration announced proposed comprehensive changes to the Export Administration Act (EAA). Have hearings been scheduled with your authorizing committees on the proposed legislation?

ANSWER:

The Administration formally presented its proposal for the reauthorization of the Export Administration Act of 1994 at a hearing before the Senate Banking Committee on February 24, 1994. At the same time, we provided this proposal to the House Foreign Affairs Committee. Since then, the Bureau of Export Administration (BXA) has participated in numerous meetings with representatives from both Houses of the Congress, and it has provided written responses to inquiries regarding the Administration proposal. We anticipate committee mark-up on the reauthorization of the Export Administration Act in the very near future.

QUESTION:

Please highlight the specific changes being proposed by these legislative packages. How do those proposals carry out the goals of the Trade Promotion Coordinating Committee (TPCC) to promote export growth while preserving the national security interests of the United States?

ANSWER:

The Administration's EAA bill responds to the challenges of the post-Cold War era with the appropriate balance between enhanced competitiveness and U.S. security interests, including nonproliferation. This proposal furthers the goals of the Trade Promotion Coordinating Committee's (TPCC) Report to the Congress September 30, 1993. It seeks to level the playing field for U.S. companies in the international marketplace and to provide effective mechanisms for relief from controls that unfairly impact upon U.S. businesses. The Administration bill also highlights the high priority the United States places on stemming the proliferation of chemical and biological weapons and missiles by harmonizing sanctions against entities that engage in the proliferation of such weapons and providing the President with greater discretion to respond to activities of entities that knowingly and materially contribute to the proliferation of such weapons. In addition, the Administration bill streamlines the export licensing process to create responsive interagency review mechanisms, and it provides for the creation of an

effective interagency resolution of export license matters which raise disagreements. Noted below are some of the key objectives of these reforms:

- Encourage more effective multilateral regimes: The Administration bill seeks to strengthen the effectiveness of multilateral control regimes by working to ensure that the export control systems of multilateral regime members meet certain standards, and that all multilateral regimes have certain features, including a common list of controlled items and uniform interpretations of agreed controls. A key feature of the Administration's bill is to facilitate greater clarity, understanding, and transparency of the export control system and of multilateral export control regimes, consistent with regime arrangements.
- Improve the ability of the United States to deal effectively with nonproliferation concerns: By harmonizing the standards for the determination of sanctionable activities, the Administration bill takes a bold step in tackling the confusing and conflicting standards and responses concerning sanctions against entities which engage in the proliferation of chemical and biological weapons, and the means of their delivery. It gives the President increased authority to impose expanded mandatory and discretionary sanctions, strengthening his hand to firmly respond to activities of entities which knowingly and materially contribute to the proliferation of such weapons and missile systems.
- Streamline the export licensing process: The Administration bill also fulfills the President's TPCC commitment to reduce by 25 percent the time allotted for the processing and review of export license applications. In addition, the Administration bill provides for prompt interagency referral and review mechanisms, and authorizes the President to establish an effective interagency process for the resolution of export license matters at appropriate levels.
- Provide for increased enforcement activities: The Administration bill significantly enhances the effectiveness of enforcement activities under the EAA by providing increased penalties -- some of which have not been changed for ten years. It would authorize the forfeiture of items seized by Commerce enforcement agents in enforcing the EAA, provide Commerce enforcement agents special authority to enhance undercover operations, and allow for expanded use of temporary denial orders against persons indicted for violations of the export control laws. The Administration bill additionally provides for greater cooperation between the Commerce Department and the Customs Service in their enforcement activities.

QUESTION:

Do you anticipate any opposition to this legislative proposal? Please explain.

ANSWER:

In drafting the Administration's proposal over the past several months, we went to great lengths to incorporate comments and criticisms regarding the present export control system voiced over the past several years by the Congress, industry, the nonproliferation community, government officials, and our trading partners. We believe that we have crafted in the Administration's bill an export control proposal which is good government and which is practical, understandable, responsive to the needs of America's exporters, and tough on proliferation. Although this proposal may not fully satisfy all parties concerned with the export control debate, we are nonetheless committed to working with the Congress to shape an effective export control law to meet the many new challenges of the future.

Giving the inherently controversial nature of export controls, it is not surprising that the Administration's Bill has been criticized both for going too far in liberalizing the United States Export Control Regime and for not going far enough. The Administration obviously believes that it has achieved the appropriate balance between national security, non-proliferation, economic and competitiveness goals. However, it remains ready to continue the dialogue with public and private interests that strongly disagree with various provisions of the bill.

Some business interests have expressed disagreement with the provisions relating to unilateral controls, allowable license processing times, license free treatment, mandatory or automatic decontrol, dispute resolution, commodity jurisdiction and judicial review, arguing that the Administration Bill doesn't go far enough in these areas. Some national security watchdog organizations criticize these and other provisions for going too far. We look forward to re-examining the competing arguments and positions with the Congress during the legislative hearings and debate which will precede re-authorization of the Act.

QUESTION:

Will the proposed legislation alter the structure of the Federal Government's export control process in any significant way? Under this proposal, will BXA take on new duties previously handled by other departments? How will activities be coordinated with other agencies?

ANSWER:

Although the Administration bill does not alter the structure of Federal agencies involved in the export control process or transfer any activities of other departments, it is expected to improve significantly the export license review process through greater discipline and strict timeframes.

Under the Administration's proposal, the Commerce Department will continue in the lead role in reviewing and referring applications to other agencies, as requested. All reviewing agencies will have the right to appeal decisions within established timeframes. Moreover, in order to further reduce license process and referral times, where agencies do not wish to review certain types of applications, they will so inform the Commerce Department.

The Administration bill further fulfills the President's commitment to reduce the time allotted for the processing and review of export license applications, as detailed in the Trade Promotion Coordinating Committee's Report to the Congress, by substantially tightening license processing and referral deadlines. The bill also provides for prompt interagency referral and review mechanisms, and authorizes the President to establish an effective interagency review process for the resolution of export license matters at appropriate levels. While the bill significantly reduces export license review deadlines, it is important that adequate time be allowed for the review of proposed exports which may pose nonproliferation concerns or impact upon other significant foreign policy or national security objectives. The bill, therefore, provides that reviewing agencies will organize their resources to ensure that export license applications will receive appropriate review within strict deadlines.

Under this proposal, BXA implements duties previously performed by other agencies. This is consistent with events already in motion as a result of the Trade Promotion Coordinating Committee and NPR reviews of export controls. For example, over time we expect to receive further delegations of authority to perform selected license review functions other agencies currently perform. These new delegations will reflect interagency working agreements as well as commodity jurisdiction decisions which transfer items to the Commerce list. In the area of enforcement, Customs has already agreed to refer cases to Commerce for administrative action when the violations do not warrant criminal action by Customs. Also, as reflected in the BXA FY 1995 budget request and referenced in the Administration Bill, BXA will expand its role in the provision of "hands on technical assistance" in the development of common standard export control and enforcement systems in Eastern Europe and the Former Soviet Union. This work is being

pursued in cooperation with State, Customs, Defense and Energy.

With respect to coordination, BXA's technical assistance work plans are developed within the framework of an interagency working group which meets regularly and specifically approves the activities and timing of each agency's technical assistance program. Many activities are conducted on a joint basis both within the United States and overseas. The Commerce-Customs relationship is coordinated through formal Memoranda of Understanding and quarterly meetings that involve career and political officials from each agency. With respect to licensing, a formal dispute resolution system will continue to operate under the new law, with appropriate involvement of the National Security and National Economic Councils. Finally, we believe that improvements to the automated licensing systems operated by each agency has the potential to improve coordination of daily operations.

QUESTION:

The most recent short-term reauthorization of the EAA will expire on June 30, 1994. What will be the impact on your programs should the new legislation not be enacted by that date?

ANSWER:

While we are hopeful that our cooperative initiatives with the Congress will result in the enactment of appropriate export control legislation prior to the expiration of the current EAA, we recognize that this important task may require additional time and effort. Therefore, as in the past, unless the Congress acts to extend the June 30, 1994 expiration date of the existing EAA, the President may utilize his authority under the International Emergency Economic Powers Act (IEEPA) to continue in place the provisions of the export control system, including the Export Administration Regulations and related authority. In addition, if IEEPA is invoked as the statutory basis for the export control system, we will need to ask the U.S. Marshals Service to deputize OEE Special Agents so that they may continue to exercise the police powers they have under the EAA.

New Control Regimes

QUESTION:

You mentioned in your statement the need to develop an effective replacement regime for CoCom after its March 31 expiration. What efforts are currently underway in that regard, and when do you anticipate that such a regime will be in place? What role is BXA playing in this effort?

ANSWER:

Since September 1993, the United States and its allies in CoCom have been discussing the framework for an organization to replace CoCom. The new multilateral export control regime will focus on arms and related sensitive dual-use goods and technologies, and it will target regions and certain countries of concern from a conventional arms and proliferation standpoint.

At a senior level meeting in November 1993, CoCom members agreed to a political framework to end CoCom and provided the general political guidelines to a new regime on March 31, 1994. We recently met in The Hague again at senior political levels and reaffirmed the CoCom members' commitment to the new regime and its inclusion of both conventional arms and sensitive dual-use goods and technologies. The recent meeting also provided further direction to the various working level groups on the content of the new regime. We are now aiming to begin the new regime in October 1994.

QUESTION:

How do you envision this new control regime changing the other existing multilateral control regimes?

ANSWER:

We do not envision the new control regime changing the other existing multilateral control regimes at all. Rather, the new regime will complement the Missile Technology Control Regime, the Australia Group (chemical/biological weapons) and the Nuclear Supplier Group. It will control conventional arms and sensitive dual-use goods, whose acquisition could contribute to a country's ability to destabilize a region, support terrorist activities, or develop weapons of mass destruction.

QUESTION:

Will the countries of the former Soviet Union and other former Warsaw Pact countries be "players" in a new control regime?

ANSWER:

All like minded countries agreeing to certain requirements are invited to participate in the new regime. Requirements for membership will likely include adherence to the three nonproliferation regimes and the nonproliferation conventions (the BW and CW conventions); a fully effective export control system; an agreement to control dual-use goods and conventional arms; and, where applicable, adherence to arms control norms such as the START I treaty.

We have been speaking with Russia regarding its participation in the new regime, and it is aware of the likely membership requirements for the new regime. We are continuing our dialogue with Russia on the new regime and are hopeful that it will soon qualify for membership and be able to be a founding member. Other countries, including the other Warsaw Pact countries and China, will be eligible to join if they meet the membership criteria.

Impact of Program Reductions

QUESTION:

Last year, the Administration requested and the Congress approved a reduction of almost \$7 million in BXA's funding. The reductions were supposedly based on workload reductions. Were the workload measurements reflected in last year's budget submission understated?

ANSWER:

The workload measures reflected in BXA's FY 1994 request to Congress were not understated. We are not restoring last year's budget.

Rather, our FY 1995 request seeks funding to implement key elements of the President's National Export Strategy, and his efforts to combat proliferation while at the same time removing unnecessary barriers and restrictions to trade. We will be implementing the recommendations of the Trade Promotion Coordinating Committee (TPCC) and the Vice President's National Performance Review (NPR) to reform the export control system. Also, the key objectives in the Administration's proposed new Export Administration Act will place added responsibilities on BXA.

As the world becomes more open, the opportunities for exports are enhanced, but so also is the opportunity for diversion and proliferation. In this more open, global market, the threat of proliferation of weapons of mass destruction has never been greater. With greater openness, countries have increased access to dual-use materials.

To deal with this reality, it is necessary to hire technical experts to understand and classify when to grant a license (+39 positions, +\$4.4 million); and provide technical assistance to the newly independent states of the former Soviet Union and other countries of proliferation concern. At the same time, we must supplement our enforcement staff (+28 positions, +\$3.3 million) to ensure that sensitive products do not get into the wrong hands.

The details of these proposals are found in BXA's FY 1995 budget request. Briefly, the \$4.4 million request will: (1) address major gaps in our technical staffing; (2) help us provide technical assistance on export controls to the

newly independent states of the former Soviet Union; (3) make needed investment in BXA's aging computer systems; and (4) expedite licensing processing. The \$3.3 million proposal for enforcement will help us restore our authorized special agent levels to FY 1990 levels--indeed, the number of enforcement cases has doubled and become more complex.

The increase in resources will allow us to focus on post-Cold War concerns, safeguarding our national security without unnecessarily hindering exports. By using these resources to liberalize exports and modernize an outdated export control system, we will show other nations that we are ready to function in a new world order. At the same time, by enhancing our enforcement efforts, we will let the world know that proliferation will not be tolerated. We believe that it is important to improve BXA's performance in each of the authorized activity areas described above.

QUESTION:

What has been the impact of the reduction in funding in FY 1994? What specific actions has BXA taken to address the funding reduction?

ANSWER:

Because BXA has carryover funding from FY 1993, it can fund all of its FY 1994 operations. However, we have been unable to hire critical personnel to fill the gaps in both the field investigative and export licensing areas. Therefore, this has served to diminish the overall effectiveness of Commerce's export control effort. In addition, we have delayed equipment purchases and reduced training.

QUESTION:

I understand that license applications are more complex than they used to be. Have the workload measurements changed over the past year to reflect the increasing complexity of the licenses?

ANSWER:

Although the number of applications is steadily declining (from 26,000 in FY 1993 to an estimated 17,500 in FY 1994 and FY 1995), average processing times are increasing (Free World requests from 27 to 28 days, block requests from 54 to 65 days and PRC requests from 60 to 75 days) due to the receipt of more complex applications. We project these figures will continue to rise as applications require more in-depth analysis and more interagency referrals. The percentage of applications requiring referral increased

from 53% to 56% in the first quarter of FY 1994. By mid-year FY 1994, the average processing time of referred applications was 51 days compared with 48 days in FY 1993.

Relationship with the Customs Service

QUESTION:

In the past, there have been some conflicts between BXA and the Customs Service relating to jurisdictional concerns in the Export Administration Act. What is the current status of your relationship with the Customs Service?

ANSWER:

The current relationship between Commerce and the U.S. Customs Service is friendly, warm, and cooperative. In September 1993, the agencies signed two agreements to enhance enforcement and licensing efforts. Both agencies believe these agreements have resulted in more informed licensing decisions, quicker enforcement responses in urgent circumstances, expedited investigations, more preventive enforcement actions, more joint cases, and fewer duplicative investigations.

QUESTION:

Does the proposed reauthorization legislation take steps to eliminate the perceived overlap between BXA and Customs?

ANSWER:

Yes it does. The proposed legislation enables Commerce and the U.S. Customs Service to agree on all elements, including the enforcement provisions of the Administration's bill for a new Export Administration Act. Commerce enforcement authorities are clarified in accordance with the formal Memorandum of Understanding (MOU) currently in effect between Commerce and Customs.

Assistance to Eastern Europe and Former Soviet Union

QUESTION:

Your statement indicates that you plan to devote increased resources to assisting countries in Eastern Europe and the former Soviet Union in developing effective export control systems and in converting their defense industries to civilian production. What is the total amount requested for FY 1995 for these technical assistance activities and how does that compare to the resources being devoted to these purposes in the current fiscal year?

ANSWER:

Russian Defense Conversion: During FY 1994, BXA is devoting roughly 6 FTE and \$400,000 in base resources to foreign defense conversion efforts in the four nuclear republics of the former Soviet Union--Russia, Ukraine, Kazakhstan, and Belarus. This work is being carried out under mission responsibilities relating to its role as chair of the Defense Conversion Subcommittee of the US-Russian Business Development Committee, which Secretary Brown chairs, and as vice chair to Secretary Perry of the bilateral Defense Conversion Committees with the four countries. Of the \$400,000 in 1994 base resources being used, \$360,000 will be expended on salaries and benefits and about \$40,000 for travel and for printing and distribution of the Russian Defense Business Directories.

For FY 1995, we plan to shift more of our base resources into foreign defense conversion as efforts expand within the four nuclear republics and, perhaps, with China. We have not asked for a budget increase to support this work in FY 1995.

Export Control Technical Assistance: During FY 1994, BXA will spend about \$440,000 in appropriated funds to provide technical assistance on export control and enforcement to Eastern Europe and the former Soviet republics. These expenditures reflect the use of base resources (personnel costs) to provide "hands-on technical assistance" in a range of countries to help them develop export control laws and regulations; design licensing and administrative procedures; receive training in enforcement techniques and procedures; and design automated systems to support export control and enforcement operations.

This work is vital to U.S. nonproliferation goals. Moreover, implementation of "common standard" export control systems is a pre-condition to expanded U.S. exports and investment in these countries. Accordingly, BXA has requested a budget increase to support this authorized work in FY 1995 (9 positions and \$935,000 as an Export Control Technical Assistance program increase). It is part of the overall \$4.4 million and 39 positions requested increase.

QUESTION:

You stated that BXA is working with the Departments of State and Defense on these assistance initiatives. What level of resources are those two departments devoting to this initiative in both FY 1994 and FY 1995?

ANSWER:

We do not have specific information on the total planned expenditures of State and Defense for this technical

assistance work during FY 1994 and FY 1995. Defense is administering Nunn-Lugar (or Murtha-McDade) funds, a small part of which are being used for export control technical assistance. About \$25 million, which cannot be used to pay salary and related costs for U.S. government workers, has been allocated to three of the four nuclear-capable republics.

We understand that money will be allocated to Russia this spring.

QUESTION:

You have been active in this area for several years now, particularly in Eastern Europe. Could you provide any examples of "success stories" on how your assistance has been used by these countries to combat proliferation of military technologies?

ANSWER:

The goal of BXA's technical assistance efforts is to have countries of proliferation concern implement and effectively administer export control and enforcement systems which are comparable to those run by the United States and its allies.

Our first technical assistance efforts were in Eastern Europe. We believe that the success of these early efforts is evident in the fact that Hungary, the Czech Republic, the Slovak Republic, and Poland have all been removed from the CoCom list of proscribed destinations. This reflects the judgment of the United States and its allies that these countries have developed export control systems which meet the "common standard." Other East European countries that have received technical assistance and are making progress include Romania and Bulgaria.

In July 1992, BXA organized and the Commercial Law Development Program funded the participation of export control representatives of eight East/Central European nations in the first direct technical assistance forum on the legal, licensing, enforcement, and automation dimensions of export controls. In addition, these foreign officials attended BXA's major Update '92 Conference for U.S. business representatives. Since this conference, most East and Central European countries are considering some form of nonproliferation export controls intended to achieve objectives such as those of the Australia Group and the Missile Technology Regimes.

A recent example of East European receptiveness to the BXA technical assistance efforts was a Commerce/BXA-led mission to Poland (and Lithuania) where we discussed the fundamentals of multilateral export control regimes and export control nonproliferation safeguards under the

Nuclear Suppliers Group. In early March, Poland hosted a Nuclear Suppliers Group Conference (with the participation of Lithuania).

Our technical assistance efforts in the Newly Independent States (NIS) began in 1992. In October of that year, Belarus became the first NIS country to sign an agreement with the United States on the establishment of an export control system to prevent the proliferation of weapons of mass destruction.

Under the assistance program, which began in 1993, BXA has endeavored to provide Belarus with the basic technical skills to develop effective laws, institutions, organizations, export control procedures, preventive enforcement programs, and automation systems. Work completed to date includes:

- assessment of Belarusian export control infrastructure and study of automated systems requirements;
- safeguards training on preventive enforcement techniques and the conduct of pre-license and post-shipment checks in Belarus;
- hosting a Belarusian delegation of export control officials to discuss further development of its export administration system, including resolution of legal and administrative issues in export control development; and
- development of design specifications for automation systems for the Belarusian export control system license process.

Another sign of the progress of the development of an effective export control system in Belarus was the recent elevation of the export function within the Belarusian government. The State Committee on Foreign Economic Relations, the organization primarily responsible for export control development, was elevated to the Ministerial level.

BXA's technical assistance programs with the other NIS countries are also off to a good start. In March, BXA conducted a technical assistance program in Washington for representatives of 14 East European and NIS states. A senior interagency delegation of export control officials from Ukraine visited Washington in April to discuss how to develop an effective export control system and to plan for future work. A similar delegation from Kazakhstan is expected in May.

QUESTION:

When is assistance to a particular country considered complete? Approximately how long do you anticipate it will take to complete the assistance for a specific country?

ANSWER:

In general, technical assistance is considered complete when a country has implemented all components of a "common standard" export control and enforcement system and been approved for liberalized treatment under the multilateral export control regimes in which the United States participates.

Countries vary considerably in the extent to which they are ready, willing, and able to develop and implement a "common standard" export control and enforcement system. These differences determine the amount, type, and length of technical assistance to be provided by BXA. For general planning purposes, we project that a successful technical assistance relationship will last from 3 to 5 years. Our experience to date is consistent with this planning assumption. Moreover, a review of progress conducted with senior export control officials from 14 East and Central European countries and NIS states in Washington during the week of March 28, 1994 further validates this planning assumption.

Request to OMB

QUESTION:

What was your request to the Department and OMB for FY 1995, what items were eliminated from this request, and what will be the impact of these reductions on BXA's ongoing operations?

ANSWER:

BXA's request to the Secretary was \$51.0 million and 449 positions. It included \$.8 million in adjustments to base, and increases totaling \$15.6 million and 185 positions. The request included:

- \$6.7 million and 67 positions for nonproliferation controls, and technical assistance to Eastern Europe and the NIS;
- \$3.3 million and 48 positions to fully staff enforcement field offices;
- \$1.5 million and 15 positions to increase headquarters enforcement staff;

- \$4.1 million and 55 positions to carry out BXA's U.S. and Russian Defense Conversion responsibilities; and,
- -\$.5 million and -5 positions in "Personnel and Administrative Savings."

The Secretary did not approve the increase request for the Russian Defense Conversion activities, but allowed part of the export administration and export enforcement increases.

BXA's request to OMB was \$44.8 million and 419 positions, which included \$.8 million in adjustments to base, and 2 program increases totaling \$9.2 million and 104 positions. The request included:

- \$6.4 million and 61 positions to enable BXA's Export Administration activity to focus on nonproliferation export controls, technical assistance to the newly independent states, and reform of the federal export control system (recommended by the Trade Promotion Coordinating Committee (TPCC));
- \$3.3 million and 48 positions to bring Export Enforcement field offices back to the level necessary to meet mandated responsibilities (request to increase headquarters staff was disallowed); and,
- -\$.5 million and -5 positions in "Personnel and Administrative Savings."

OMB reduced Export Administration's request by -\$2.0 million and -23 positions and the Export Enforcement increase request by -21 positions.

Antiboycott Compliance

QUESTION:

What is the total amount included in this request for the Office of Antiboycott Compliance? How does this request differ from current funding levels for this office?

ANSWER:

BXA's FY 1995 request includes \$2,920,000 and 30 positions for the Antiboycott Compliance program. This amount includes \$1,054,000 for overhead expenses.

Total FY 1994 funding is \$2,761,000 and 30 positions, the dollar amount including \$1,748,000 for direct salary/expenses and \$1,013,000 for overhead expenses.

QUESTION:

Does the recently announced authorization proposal include any significant changes in the authorization for this office?

ANSWER:

The proposed new Export Administration Act, which is our authorizing legislation, increases the maximum civil penalty for antiboycott violations from \$10,000 to \$50,000. We believe this change will provide greater deterrence to would-be violators and enhance the Department's ability to impose civil penalties appropriate to the nature of the offense. The maximum criminal fine, available under the EAA, would also be increased substantially from \$50,000 to \$250,000 for individuals and \$500,000 for companies. The substantive provisions of the antiboycott section are unchanged from existing law.

The Administration's policy is to continue rigorous enforcement of the U.S. antiboycott law and regulations until all aspects of the boycott are ended by the Arab League.

QUESTION:

How has the workload for this office changed over the past several years, and what are the reasons for those workload changes.

ANSWER:

Yes, the workload has increased. During the period FY 1993 to FY 1994 case investigation and reviews increased from 91 to 125, and case disposition and evaluation grew from 113 to 170 during the same period. The workload has increased for the following reasons:

- The office is concentrating on more substantive violations. These require more investigative time and attention.
- The number of telephone calls for advice and the requests for training and assistance from members of the regulated public has increased, particularly in the wake of the Baxter settlement last Spring and the publicity it generated.
- Although the number of boycott reports has declined slightly in the past year, the amount of analysis given to each report has increased. The Office of Antiboycott Compliance is providing more detailed and more frequent analyses of the reports to assist U.S. government efforts to end the boycott. The Office now

provides quarterly, in addition to annual, statistics. It also now furnishes the State Department and relevant embassies with samples of the language in the boycott requests from key countries. It also analyzes the frequency with which the language appears and, to the extent possible, identifies entities in the boycotting countries who originate the boycott requests.

QUESTION:

Mr. Carter, do you feel that the Bureau of Export Administration is the appropriate entity to administer the antiboycott activities of the U.S. government? If not, what agency would be a more appropriate place to relocate this function?

ANSWER:

I believe that the Bureau of Export Administration is the appropriate entity to administer the antiboycott activities of the United States Government. It has amassed the expertise to provide both the public education and vigorous enforcement necessary to implement this law. I am committed to maintaining these efforts.

Interagency Licensing System

QUESTION:

You are asking for 3 positions and \$1,350,000 to improve the interagency licensing system. Your statement says that this increase will fund 5 specific automation needs. Could you please tell the Committee more about these automation systems and how they will improve the licensing process?

ANSWER:

Of the total amount requested, roughly \$300,000 will support the 3 positions requested for BXA's Office of Information Resources Management (OIRM). Creation and maintenance of a modern automated information infrastructure is a need that is independent of the annual volume of export licenses. OIRM authorized staff has declined from 27 in 1990 to 14 in FY 1994. This is not a sufficient workforce of computer specialists to maintain current systems (e.g., licensing, enforcement, antiboycott, and office automation) and continue developmental efforts (e.g., local area network, shippers export declaration analysis, field office networks, license appeals, dispute resolution, litigation, and TPCC/NPR recommendations).

With respect to the five specific systems areas included in our increase request, please note the following.

- BXA's Export Control Automated Support System (ECASS) system currently operates on an IBM 3081 at the

Department of Commerce Computing Center using Model 204 programming. The age of the mainframe, the decline in anticipated license volumes, and the anticipated cost increases to continue operation of the current system indicate the need for conducting a "rightsizing" study and taking appropriate follow-up action. This piece of the BXA request will enable us to complete a rightsizing study and either begin to move our system to our local area network or to upgrade the existing mainframe system for the longer term. FY 1995 costs are estimated at \$200,000.

- Most ECASS users communicate with the system through the BXA local area network. This includes BXA headquarters, the State Department, and the CIA. Our LAN technology is old and the system has become slower and less reliable during the past two years as the number of users has grown. The company which manufactured our LAN bridges is no longer in business and 60% of the PCs attached to the LAN are more than 5 years old. As bridges go out of service, they cannot be repaired and users must be consolidated on the fewer remaining bridges. Our plan is to upgrade the BXA LAN architecture and equipment to bring its operating performance into line with widely accepted performance standards. This upgrade will also provide the basis for further expanding network users, within and outside of DOC, and adding future applications such as imaging, consolidation of license application forms, etc. Improving connectivity for our field organization, both to ECASS and to BXA's expanding Automated Forms subsystem, entails the development of a wide-area network during the next few years. FY 1995 costs are estimated at \$200,000 on the assumption that the FY 1994 transfer request is approved.
- As described above, reconfiguring and upgrading BXA's networks are key elements in our longer term information strategy. This will provide us with the infrastructure for further improvements in the electronic interface between BXA and other licensing/enforcement agencies, both domestic and foreign. Currently, only the State Department and CIA use direct access to BXA's ECASS system as a vehicle for reviewing licenses and communicating their positions to our licensing officers. Defense, Energy, and Customs download selected ECASS files for processing within their own systems. As such, they rely on a snapshot of the database which is constantly changing. We believe that completion of the work described above will provide the basis for substantial future improvements to the non-classified electronic interface among all licensing/enforcement agencies. The general directions of these future improvements have been described by the Four Inspector General Study of the interagency licensing process and the Trade

Promotion Coordinating Committee and National Performance Review studies of export controls. These directions are listed in Attachment A. We believe that significant improvements in the accuracy and timeliness of license processing can be achieved from pursuing these enhancements during the remainder of the 1990s. Our FY 1995 investment is targeted at \$140,000 to begin addressing these recommendations.

- The BXA increase proposal includes the application of imaging technology to the license process. It is listed separately given the anticipated cost of developing an image storage, retrieval and transfer system over several years as recommended by the TPCC. The goal of the project is to eliminate the often bulky paper files that must be transferred among license officers and reviewing agencies during license processing and dispute resolution. In many instances, the license process comes to a halt waiting for paper files to catch up with the electronic record. Our proposal is to develop a prototype system during FY 1995 with full implementation during FY 1996-97. Internal studies indicate that processing times for referred cases can be improved through the adoption of this technology. FY 1995 costs for prototype implementation will amount to \$300,000.
- The final component of BXA's increase proposal relates to the anticipated need to replace BXA's Optical Character Recognition (OCR) System and reprogram the exporter notification system (STELA--System for Tracking Export Licenses) as the license regime continues to change during the remainder of the decade. Changes to the control lists, and consolidation of license applications forms within DOC or among agencies, create the need to modify these systems periodically. OCR changes run about \$150,000 and STELA modifications cost about \$60,000 to implement. Hence, we plan FY 1995 expenditures of \$210,000 in this area.

QUESTION:

What other agencies use this licensing system? What amounts are these agencies contributing to the costs of acquiring the automation required?

ANSWER:

As noted above, State and CIA have on-line access to ECASS. Defense, Energy, and Customs work with downloaded data. In addition, the General Accounting Office and Inspector General obtain downloaded data or require BXA to conduct special computer runs costing BXA hundreds of thousand dollars in staff time, programming costs, and machine time each year.

Customs pays for its DOC Computer Center time. CIA has contributed \$6,000 for the annual production of computer tapes. Energy has reimbursed BXA for systems modifications which it required to move its system to Los Alamos. Beyond that, no agency has provided BXA with funding to either maintain or modify its system, nor do we expect external contributions to the systems upgrades described in the above question. We do expect these agencies to fund their own costs for improving electronic linkages with BXA.

QUESTION:

Is this a one-time automation upgrade process, or do you plan to continue the automation upgrade over a period of time? If the latter, what will be the total costs of achieving the interactive computer links?

ANSWER:

This is a multi-year program with an estimated cost of \$5,000,000 through FY 1999.

Export Enforcement

QUESTION:

You are requesting an increase of 28 positions and \$3.3 million for export enforcement. What is the base level for this program?

ANSWER:

The base level for the Export Enforcement budget activity is 126 positions and \$15,085,000, which includes \$575,000 for adjustments to base.

QUESTION:

How did you determine that this would be an adequate level of export enforcement? Have you done any studies as to the success of your enforcement activities?

ANSWER:

It is always difficult to describe what constitutes an "effective" enforcement program, especially when the issue is detection and punishment of violators whose actions are not easily discernable. One measure that EE believes shows the critical need for its proposed increases is a comparison for the years FY 1989, which was the "high water" mark of OEE and the year the Warsaw Pact began to disintegrate, and FY 1994, a year in which almost all of OEE's activities are focused on the much more difficult nonproliferation enforcement issues. As the chart (Attachment B) demonstrates, in FY 1989 OEE had 101 personnel to handle 588 cases. Currently OEE is operating

with an allocation of 51 FTE (although it has 81 on-board personnel) handling 1490 cases. This is a 250% increase in cases and a 50% reduction in authorized FTE since FY 1989. OEE's enforcement program has recently been studied by the GAO as part of its overall review on export enforcement activities government-wide. In its study, GAO specifically found that although OEE had a highly effective enforcement program, it was woefully short of resources.

QUESTION:

You mention that this increase is necessary to maintain and operate the national structure of eight field offices. Has this Administration conducted a review of the number and locations of the BXA field offices? Do you consider the current structure to be adequate or will you be proposing any changes in the field office structure?

ANSWER:

We have examined our field office structure and believe that the current 8 enforcement field offices are sufficient for effective enforcement if they are adequately staffed. With respect to export administration regional offices, BXA recently proposed the closing of its new Hampshire export assistance office due to declining workload in the area as a result of decontrol.

QUESTION:

What is the current status of the Springfield office? Have you implemented the proposed relocation of this field office to the Washington, DC headquarters space?

ANSWER:

To date, we have not proposed a relocation. If adequate staffing resources are provided to OEE, the current Springfield, Virginia, field office will remain in place for the foreseeable future.

Industrial Resource Administration

QUESTION:

Your Office of Industrial Resource Administration is involved in the conversion of U.S. defense-related enterprises to commercial markets. What specific activities does this office undertake in this regard, and what is the total level of funding devoted to this initiative in FY 1994?

ANSWER:

The Office of Industrial Resource Administration (OIRA) is actively involved in efforts to help facilitate the

conversion and diversification of U.S. defense related enterprises to dual use and commercial markets. A description of OIRA's principal activities in this area are set forth below.

On July 20, 1993, Secretary Brown announced that BXA/OIRA would develop and implement a pilot program on defense conversion for regions that are particularly affected by reductions in DOD procurement. At present, this program is funded primarily by a reimbursable agreement of \$1.2 million with the Economic Development Agency (EDA). It is supported by 7 FTE in OIRA and 2 FTE in BXA's Western Regional Office.

The OIRA program is a multi-phased effort whose primary mission is to provide critical information to the small and mid-sized defense firms who have been hardest hit by the domestic defense down-turn. The major activities undertaken include:

- The 1994 Resource Matching Program: This is a series of hands-on, customized seminars to assist defense firms find new business opportunities in defense and commercial areas. There will be eight program categories in 33 locations (e.g., how to access and commercialize federal R&D, international marketing assistance for defense and commercial exports; how to patent your company's technology). OIRA is in the process of presenting this program nationally.
- Defense/Diversification Market Assessments: OIRA is in the process of developing a series of five comprehensive regional market assessments geared for small and mid-sized U.S. defense firms that are new to export. The first assessment will be the Pacific Rim, followed by Western Europe, Middle East, South America, and East Europe/Former USSR. These assessments will include: general economic overview, defense industry environment, defense opportunities, diversification/commercialization opportunities, country specific regulations and policies, USG/embassy points of contact. Further, OIRA is developing a highly specialized guide for industry on NATO infrastructure contracts.
- Sub-Contractor Base Assessments: OIRA will assess the specific problems confronting the defense subcontractor manufacturing base in selected regions in order to target U.S. government efforts to alleviate those problems. In collaboration with the California Industrial Leadership Council and Teledyne Ryan (an aerospace prime contractor located in San Diego), OIRA will identify subcontractors that manufacture essential defense-related items and evaluate the problems they are encountering due to defense downsizing. OIRA will then match specific companies with appropriate U.S.

government defense conversion programs, such as the Manufacturing Extension Program of NIST, trade promotion programs, or labor retraining programs. OIRA will also share the data and analysis with the Department of Defense. If successful, the program will be expanded to other regions of the country that are disproportionately affected by defense cutbacks.

- **Special Edition of the Commerce Business Daily (CBD):** It has become apparent that many of the small and mid-sized defense companies will face a difficult task competing in the post Cold War environment. It is not that these companies do not possess a product, skill, or technology. In fact, many of these companies are quite capable and competitive but have only marketed through their prime contractors. OIRA has proposed a special edition of the CBD where these firms, in a 100 word announcement could describe who they are, what they do, and what can or would like to do in the future. This pilot program will allow firms to advertise themselves nationally and internationally to establish new business relationships and strategic ventures.
- **Defense Trade Information Network (DTIN):** OIRA has a "hot line" for industry in order to provide outreach on defense and dual use export opportunities. It also lets OIRA serve as an interagency ombudsman for industry within the USG on defense trade issues. This is intended to ensure high level awareness of the economic advantages of a vibrant and competitive defense industry.

Other Related Initiatives

- **Critical Technology Assessments:** Under the Defense Production Act the National Defense Authorization Acts, and various Executive and Departmental Orders, OIRA has broad responsibilities for assessing the ability of defense-critical industries and technologies to support current and future national security requirements. While OIRA has had this basic responsibility for many years, the current environment of steeply declining defense budgets and upheaval in the defense sector make such analyses particularly important. A key policy concern is to ensure that core capabilities (technology, production, skilled labor) are not lost in the transition and are available to support future national security needs. OIRA often conducts such assessments at the request of the Department of Defense or one of the individual services. To accomplish these analyses, OIRA uses its data collection authorities under the Defense Production Act to conduct detailed surveys of industry at the plant level.

In FY 1994, OIRA will complete assessments examining the financial, production, and technology status of six defense-critical technologies in light of defense budget cuts: advanced composites, advanced ceramics, optoelectronics, superconductivity, artificial intelligence and flexible computer-integrated manufacturing. These assessments are forwarded to Congress (Armed Services Committees), as well as to policymakers in the Department of Defense and industry. OIRA will devote 3 FTE to this activity in FY 94.

Navy CAD/PAD Assessment

At the request of the Department of the Navy, OIRA in FY 1994 initiated an assessment of the impact of defense cuts on the cartridge and propellant actuated device (CAD/PAD) industry, including defense conversion potential. The findings and recommendations will be forwarded to the Navy, including any changes in acquisition policy (e.g., make/buy percentages) that may be needed to maintain key capabilities in this important sector.

While the Navy is funding a portion of this assessment (\$117,000), OIRA is also devoting managerial personnel and other resources to the project.

QUESTION:

Does BXA have the in-house expertise to participate in this activity? How long has BXA been involved in such programs?

ANSWER:

BXA, and its predecessor organizations, has had basic responsibility for analyzing the capabilities of U.S. industry to meet current and future national security requirements for nearly 40 years. However, the focus of these analyses has changed over the years in response to changes in the global environment.

For example, during the Cold War the primary focus was to analyze the ability of industry to increase production in an emergency to support dramatically increased defense demand for a protracted conventional war with the Soviet Union. During the 1980's and early 1990's, the loss of U.S. competitiveness and technological preeminence in key industrial sectors became a major focus of concern. Accordingly, there is now a greater focus on economic security issues. Today's environment of steeply declining defense budgets has led to a realignment of our analyses to maintaining core capabilities in key industries and technologies in light of defense cutbacks and increasing international competition.

OIRA maintains a staff of industry analysts to prepare these assessments. OIRA staff is highly educated and

experienced in design and use of industrial surveys, financial and economic analysis, and policy development. Because OIRA examines a wide variety of defense-critical industries and technologies, the staff relies upon technical and industry experts in other parts of Commerce (e.g., NIST, ITA industry specialists) as well as other government agencies and the private sector to support its analyses.

QUESTION:

To what extent does BXA interact with the Economic Development Administration (EDA) and the Technology Administration (TA) in carrying out defense conversion activities in the United States?

ANSWER:

OIRA interacts with other parts of Commerce in several ways.

First, OIRA relies upon technical experts to support its industry and technology assessments. Experts at the National Institute of Standards and Technology and the International Trade Administration have long provided analytic input to OIRA studies, including those with a defense conversion focus.

Second, OIRA's survey capabilities and authorities and completed assessments are used by other parts of Commerce, including TA, NIST and EDA to better target their programs to those areas of the defense base that most need assistance. For example, OIRA's California Pilot Project is to identify the specific problems and needs of California defense subcontractors so that the effectiveness of defense conversion assistance programs (including those of EDA and TA/NIST) can be maximized. The findings of this project will, of course, be made available to these organizations, and others involved in defense conversion efforts. (We also hope to expand the project nationwide.)

In essence, OIRA plays a key analytical role in defense conversion. This analysis is needed to apply the defense conversion assistance of other agencies in the most efficient way possible. Moreover, the findings and recommendations of OIRA's industrial and technology programs can be used by defense planners in government and industry to address problems before serious damage is done to our national security preparedness or economic competitiveness.

Third, OIRA coordinates its reviews of defense trade Memoranda of Understandings with engineering specialists in Technology Administration to ensure that agreements that the USG signs do not have adverse impacts on the U.S. industrial base and/or technological competitiveness.

Trade Promotion Coordinating Committee

QUESTION:

What are some of the specific goals for BXA laid out by the Trade Promotion Coordinating Committee (TPCC)? How will you ensure that these goals are met (e.g., reducing licensing processing time)?

ANSWER:

The TPCC Report laid out many specific goals for BXA. The report called for significant decontrol of computer and telecommunication equipment. This has been accomplished with the publication of several new regulations, the most recent being the GLX license announcement of March 30, 1994.

The report also called for improving the automated licensing database between agencies. BXA has several initiatives in the works to improve the operability of the interagency system. These include the creation of an imaging system and other enhancements.

The report also called for streamlining the export control and decision making process. Specific goals called for the reduction of license processing time, the factoring of economic analysis into the decision making process, resolution of commodity jurisdiction disputes, and a thorough review of unilateral controls. To ensure that we achieve our goals with respect to these items, specific requirements regarding these areas are included in the Administration's proposed legislation for the new Export Administration Act.

Additionally, the Bureau of Export Administration is planning to reorganize to further streamline the export control process, to improve our outreach efforts to exporters, and to apply reinvention principles to our operation.

QUESTION:

In line with the shifting focus of export controls towards nonproliferation, you are requesting an increase of \$1.7 million and 16 FTE to acquire new expertise in nonproliferation controls. What will you do with the existing staff and resources in this area which may not have the expertise to handle the expanding nonproliferation concerns?

ANSWER:

BXA has been downsizing since 1991. In part, this has been through retirements and other normal attrition. Our

efforts have focused on finding jobs outside of BXA for employees whose knowledge and skills are not consistent with the needs of the emerging nonproliferation regimes. We are working hard at this outplacement--and we have had considerable success.

Bureau of Export Administration

TPCC/NPR Recommendations Listed in IG StudyI. 4-IG Study:

1. Implement procedures for reconciling DOC/DOS/DOD/DOE dual use licensing databases.
2. Expand use of ECASS by DOS/DOD/DOE

II. TPCC Report:

1. Make existing referral system more efficient/effective.
2. Examine feasibility of simplifying documents or creating one licensing form for use by Commerce and State.
3. Identify and implement measures to enhance the efficiency of ECASS
 - Enhance quality and timeliness of information referred to advisory agencies
 - Improve interoperability of agencies' databases (DOC/DOS/DOE/DOD)
 - Explore use of optical scanning and storage systems. (DOC)

III. NPR Report:

1. Study feasibility of: "One stop shopping" for export licensing.
2. Designation of one agency as entry point for license applications.
3. Consolidation of administrative functions. (DOC/DOS)
4. Creation of a uniform application form. (DOC/DOA)
5. Begin to upgrade and integrate data systems. (DOC/DOS/DOE/DOD)

WEDNESDAY, MARCH 16, 1994.

**UNITED STATES TRAVEL AND TOURISM
ADMINISTRATION**

WITNESSES

GREG FARMER, UNDER SECRETARY FOR TRAVEL AND TOURISM
LEE J. WELLS, DIRECTOR, OFFICE OF STRATEGIC PLANNING AND AD-
MINISTRATION
MARK E. BROWN, DIRECTOR, OFFICE OF BUDGET

Mr. MORAN [presiding]. The subcommittee is called to order, such as it is this morning.

The first item we will consider today is the fiscal year 1995 request for the U.S. Travel and Tourism Administration under the Department of Commerce.

The request is for \$17,930,000, a decrease of \$590,000 below what was provided last year.

We will put the justifications submitted in support of this request into the record at this point.

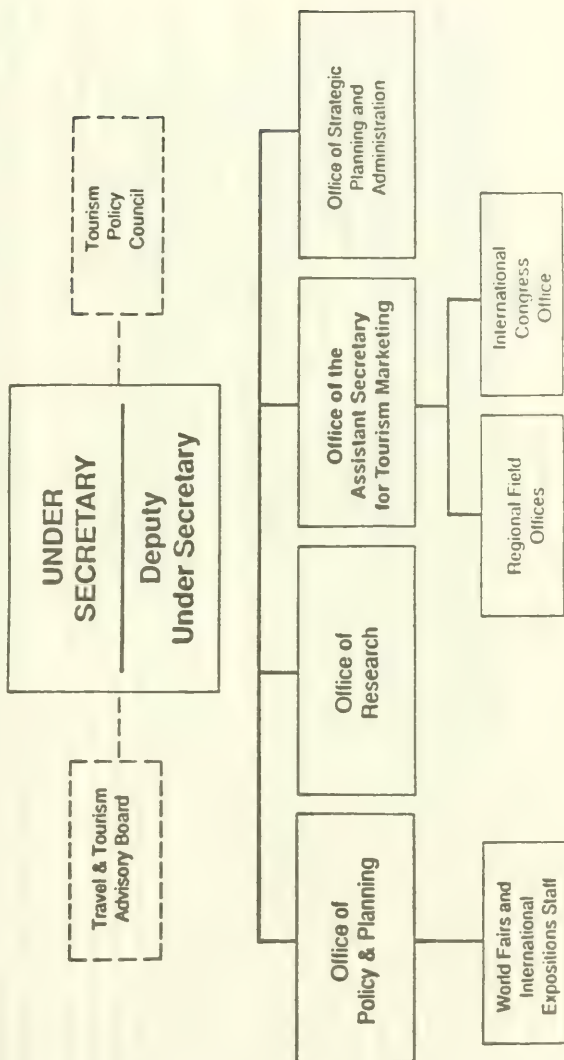
[The justifications follow:]

DEPARTMENT OF COMMERCE
UNITED STATES TRAVEL AND TOURISM ADMINISTRATION
Budget estimates, Fiscal Year 1995
President's Submission

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U.S. DEPARTMENT OF COMMERCE
United States Travel and Tourism Administration



DEPARTMENT OF COMMERCE
UNITED STATES TRAVEL AND TOURISM ADMINISTRATION
Budget Estimates, Fiscal Year 1995
President's Submission

GENERAL STATEMENT

The United States Travel and Tourism Administration (USTTA), the Nation's official National Tourism Office, has over the last three decades, assumed major leadership responsibility in optimizing tourism's contribution to the nation's economic goals of growth, stability and job creation. Established by the International Travel Act of 1961 as the United States Travel Service, the agency was renamed as part of the National Policy Act of 1981. The Tourism Policy Act of 1992 provides the current authorization through FY 1996. USTTA carries out a number of functions that are unique to the Federal Government and can not be performed by any private sector entity or Regional, State or local government organization. One of these functions is the development, coordination and negotiation of domestic and international tourism policy issues including multilateral and bilateral trade and investment agreements as well as representing U.S. interests in international organizations. Another function is the gathering, analyzing and disseminating of comprehensive, timely statistical data and market research which accurately measure the economic and social impact of tourism to and within the United States to facilitate planning in the public and private sectors of the U.S. tourism industry which depend on this data.

An additional function is that USTTA plays a unique, catalytic role in bringing together representatives from both the public and private sector of the U.S. travel industry with representatives from the travel industry in a number of cooperative tourism trade development to increase travel to the United States from abroad. USTTA's programs are designed to support U.S. states, cities, regions, and private industry, with special emphasis on small businesses, cultural and ethnic communities, and rural areas. No individual private sector entity, Regional, State or city tourism organization would independently focus on promoting the U.S. as a destination to potential visitors living abroad.

Competition is fierce among nations of the world to attract international visitors to their countries. A number of National Tourism Offices are out to directly divert travelers who would normally go to the U.S. to their countries. Therefore, if the U.S. wants to maintain and increase its market share of international visitors, it must participate in the competition by maintaining a strong U.S. National Tourism Office with adequate resources to compete and make a difference.

Goals

USTTA is charged with promoting travel to and stimulating travel within the United States. The agency helps develop U.S. tourism in an effort to spark economic growth and stability, improve international competitiveness and expand foreign exchange earnings. USTTA develops, coordinates and negotiates tourism policy, both domestically and internationally, conducts statistical and market research and directs a dynamic program of tourism development geared to small businesses, ethnic communities, and rural regions.

Statement of Objectives

The objectives of USTTA are to develop U.S. tourism as a stimulus to economic growth and stability, improve international competitiveness of the U.S. travel and tourism industry, and expand foreign exchange earnings. USTTA implements programs that are designed to increase awareness of the tourism export market and tourism in general; educate the international travel trade about U.S. destinations, tourism facilities and services; stimulate consumer demand for travel to the United States; provide U.S. tourism companies better access to international markets; facilitate entry of small and medium-size companies into the market; develop cooperative trade development campaigns with industry; further tourism development as an economic option for rural and ethnic communities; provide research on international travel markets to the U.S. tourism industry; coordinate tourism trade policies and legislative initiatives; and reduce restrictive barriers to the growth of the U.S. tourism services.

Efforts to carry out those objectives are conducted in three units: Tourism Trade Development, Research, and Policy and Planning. Tourism Trade Development strengthens the competitiveness of U.S. tourism firms, serves as a catalyst to enable the American travel industry to develop promotion programs, seeks to facilitate the entry of U.S. tourism firms into international markets, and maintains close liaison with the international travel trade and press to motivate sales of U.S. products and services. Research compiles economic and demographic data, as well as information on traveler/trip characteristics for international travel markets. It then analyzes and disseminates this data to meet the needs of public and private sector decision makers.

Policy and Planning initiates, directs, and coordinates the formulation of international tourism policies and programs designed to increase international tourism flows, as well as develops policies on rural and multi-cultural tourism and the environment; identifies restrictive practices which act as barriers to the growth of U.S. tourism services; supports and

participates in trade negotiations to remove those barriers; and acts through bilateral and multilateral agreements and organizations such as the General Agreement on Tariffs and Trade (GATT), the Asia-Pacific Economic Cooperative Group (APEC), the Organization for Economic Cooperation and Development (OECD), the Pacific Asia Travel Association (PATA), the Bureau of International Expositions (BIE), the Organization of American States (OAS), and the World Tourism Organization (WTO) to increase and facilitate international tourism to the U.S.

Economic Impact of Tourism

A key Department of Commerce objective is promoting increased exports of U.S. travel goods and services such as increasing U.S. tourism. In terms of dollar expenditures, international inbound travel and tourism contributes significantly to the U.S. economy. International visitors approached 45 million in 1992, up 3.9 percent from 1991. It is estimated that their travel expenditures, including fare payments to U.S. carriers, reached \$71.2 billion, up \$7.0 billion over 1991. In 1993, current estimates are that international visitors to the United States will exceed 45 million generating over \$74 billion in receipts. However, this estimate could be affected by the climate of international affairs or unexpected shifts in the international economic situation.

World markets have become complex, unpredictable, interdependent, and extremely competitive. The growth of world markets, however, presents opportunities to export both U.S. goods and services. Programs to stimulate growth in international tourism to the U.S., this country's largest business service export, are a prime USTTA objective. As reported in major U.S. business publications, services in general and the travel industry in particular are turning the U.S. into an export powerhouse. The service sector has prevented the U.S. trade balance from being worse and has even helped improve the total picture.

A good part of the recent improvement in the current account balance is due to the surplus seen in the travel dollar account shown in the table on page USTTA-8. Estimates for 1993 indicate that inbound tourism supported approximately 960,000 jobs with a payroll of approximately \$14.9 billion. Estimates also show that international tourist-generated tax revenues totalled approximately \$7.5 billion in 1993, of which approximately \$3.8 billion was Federal tax revenue, and \$3.7 billion was state and local tax revenue.

In 1989, the United States had a travel surplus of \$5.2 billion. The shift from a travel deficit of \$1.4 billion in 1988 can be attributed to several factors of which the most predominant has been promotional and educational programs

supported by the lower exchange rates for the U.S. dollar. The 1991 surplus increased to \$18.9 billion, and the 1992 surplus was even larger at \$20.4 billion. Estimates for 1993 and beyond continue to show a significant surplus in the travel account to \$22.0 billion. An opportunity exists to increase further the U.S. share of the international tourism market, and thus the dollars which are brought into the U.S. economy.

In 1992, America received approximately 18% of the global international tourism spending. Appropriate efforts should be made to capture a larger percentage of international visitor receipts generated through international tourism. The United States Travel and Tourism Administration provides technical assistance for tourism trade development, market and economic research; and trade policy support intended to stimulate the interest and facilitate efforts of the American travel industry to work cooperatively in order to generate greater international tourism to the United States.

Summary of Performance and Resources

The benefits of USTTA programs are numerous and extend to economic, political and social arenas. They include: increased U.S. tourism earnings, job creation, increased tax revenues and improved understanding and goodwill between the United States and other nations. The value of international tourism to the economy as a political goodwill mechanism and a social integrator is only now becoming evident to many. USTTA has assigned a high priority to evaluating the impact of its measurable programs. Through evaluation surveys, USTTA provides information on the impact and effectiveness of selected agency tourism trade development programs. These programs include cooperative advertising campaigns, trade shows, seminars, consumer/trade information services, the annual USTTA International Tourism Conference, and the Rural Tourism Conference.

One of the most important benefits of USTTA efforts is the increased level of promotional activity and investment in international markets by elements of the public sector and the U.S. travel industry. For the past several years, the agency has placed major emphasis on its partnership approach to regional, State and local tourism organizations and private sector companies. With its knowledge and experience in the marketplace, USTTA serves as a catalyst in the market to provide marketing support to financial assistance recipients, and to organize and coordinate cooperative travel development programs in which U.S. travel industry organizations seek business for their destinations and attractions. In FY 1993, USTTA implemented cooperative programs with over 8,000 partners who invested nearly \$20 million of their resources in a broad array of cooperative tourism programs.

USTTA-6

USTTA facilitates States, cities, regions, and private sector businesses to successfully enter and compete in lucrative international travel markets. In FY 1993, USTTA provided invaluable support services for 99 individual travel missions abroad with over 13,000 U. S. and international participants, significantly increasing the effectiveness of outreach efforts.

Annually, USTTA sponsors major conferences, as well as targeted seminars that provide the educational assistance needed by both the seasoned travel industry professional, as well as the novice. In 1993, 153 such marketing seminars were held. Over 21,000 international travel agents, tour operators and wholesalers participated in these sessions.

In 1993, USTTA Regional Offices responded to more than 200,000 inquiries from the travel trade abroad and to nearly a half million consumer inquiries on all aspects of travel to the United States.

The importance of USTTA as a coordinator in tourism development is exemplified by the key role played in several international travel trade shows, the largest of which is the Discover America International Pow Wow, co-sponsored by USTTA and the Travel Industry Association of America (TIA). According to a comprehensive research study conducted by the U.S. Travel Data Center, a non-profit, private research group affiliated with the TIA, U.S. travel industry suppliers and foreign travel industry buyers (wholesalers) concluded business arrangements at the 1993 Pow Wow in New Orleans, Louisiana that generated approximately \$2 billion in U.S. and international business. Due to the success of the USA Pow Wow, two European Pow Wows were held in FY 1992 in Paris, France and Brussels, Belgium. In FY 1993, the event was held in Hamburg, Germany. The next Pow Wow-Europe will be held in FY 1994 in Milan, Italy. It is estimated that Pow Wow-Europe will generate between \$127 and \$164 million over the next two years. USTTA, working cooperatively with TIA and U.S. suppliers in these European Pow-Wow's, has successfully coordinated the participation of tour wholesalers, tour operators, major retail travel agents, and special interest travel groups.

USTTA organizes and participates in regional, State and local tourism conferences and seminars in the U.S. designed to increase market awareness, provide technical assistance to medium and small sized suppliers entering international markets, and enable States and the tourism industry within them to initiate cooperative and financially assisted tourism development programs in international markets.

To compete successfully in the world's tourism market, the United States needs to continue efforts to involve the private sector and the States in international tourism efforts. There are signs of success. The projected budgets for 1992-1993 for international advertising and promotion provided by the States and territories increased an average of 10% over the

1991-1992 period. During 1991-1992 those budgets ranged from \$10,000 to \$3.4 million for individual promotion and advertising programs.

International inbound travel and tourism provides a significant contribution to the U.S. economy. The chart below highlights the magnitude of figures for international arrivals, dollar expenditures by international visitors, payroll, jobs, tax revenues, and the U.S. international visitor travel account surplus over a four-year period.

Estimated Economic Measures of International Tourism to the U. S.

| | Int'l
Visitor
Arrivals
(Millions) | Int'l
Visitor
Receipts
(Billions) | U.S.
Payroll
(Billions) | U.S.
Jobs
(Thousands) | U.S. Tax Revenues
(Billions) | | | Int'l
Travel
Account
Surplus
(Billions) |
|-------|--|--|-------------------------------|-----------------------------|---------------------------------|------------------|-------|---|
| | | | | | Fed | State
& Local | Total | |
| 1992 | 44.6 | 71.2 | 14.3 | 946 | 3.7 | 3.5 | 7.2 | 20.4 |
| 1993e | 45.7 | 74.6 | 14.9 | 960 | 3.8 | 3.7 | 7.5 | 22.0 |
| 1994p | 47.9 | 81.0 | 16.2 | 1,006 | 4.2 | 4.0 | 8.2 | 25.6 |
| 1995p | 51.0 | 89.1 | 17.9 | 1,067 | 4.6 | 4.4 | 9.0 | 25.0 |

Note: The chart has a margin of error of + or - nine percent

- The estimated travel surpluses for 1993 and 1994 are over-reported by approximately \$2 to \$3 billion. This over-reporting is due to problems in obtaining U.S. departure data from the U.S. Department of Transportation (DOT) collected on the Immigration and Naturalization Service Form I-92. The I-92 is the only source for total U.S. overseas departures data. USTTA and the Bureau of Economic Analysis rely upon this data to develop the travel payment estimates. Using the revised data obtained from DOT, when BEA develops its next receipts and payments estimates, the resulting surplus will decline.

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar Amounts in Thousands)

| Page No. | | 1993 Actual | | 1994 Current Available | | 1995 Estimate | | Increase/Decrease over 1993 Base | |
|----------|-------------------------------------|------------------|------------------|------------------------|------------------|------------------|------------------|----------------------------------|------------------|
| | | Personnel Amount | Personnel Amount | Personnel Amount | Personnel Amount | Personnel Amount | Personnel Amount | Personnel Amount | Personnel Amount |
| USSTA-4 | Appropriation Available, 1994 | 79 16,628 | 79 15,917 | 81 15,157 | 81 15,157 | 0 | 0 | 0 | 0 |
| | less: Obligations from prior years | 75 16,552 | 79 20,567 | 81 15,157 | 81 15,157 | 0 | 0 | 0 | 0 |
| | plus: 1995 Adjustments to base | 15 2,380 | 15 2,603 | 16 2,773 | 16 2,773 | 0 | 0 | 0 | 0 |
| | 1995 Base | 13 2,142 | 15 2,603 | 16 2,773 | 16 2,773 | 0 | 0 | 0 | 0 |
| | plus: 1995 Program changes | 94 19,208 | 94 18,520 | 97 17,930 | 97 17,930 | 0 | 0 | 0 | 0 |
| | 1995 Estimate - | 86 16,694 | 94 23,170 | 97 17,930 | 97 17,930 | 0 | 0 | 0 | 0 |
| USSTA-7 | Comparison by activity/subactivity: | | | | | | | | |
| | International tourism development | Pos./BA | 79 16,628 | 79 15,917 | 81 15,157 | 81 15,157 | 0 | 0 | 0 |
| | FTE/Obi. | 75 16,552 | 79 20,567 | 81 15,157 | 81 15,157 | 0 | 0 | 0 | 0 |
| | Executive direction | Pos./BA | 15 2,380 | 15 2,603 | 16 2,773 | 16 2,773 | 0 | 0 | 0 |
| | FTE/Obi. | 13 2,142 | 15 2,603 | 16 2,773 | 16 2,773 | 0 | 0 | 0 | 0 |
| | Direct obligations | Pos./BA | 94 19,208 | 94 18,520 | 97 17,930 | 97 17,930 | 0 | 0 | 0 |
| | FTE/Obi. | 86 16,694 | 94 23,170 | 97 17,930 | 97 17,930 | 0 | 0 | 0 | 0 |
| | Adjustments for: | | | | | | | | |
| | Recoveries | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Unobligated balance, start of year | (635) | (1,150) | 0 | 0 | 0 | 0 | 0 | 0 |
| | Unobligated balance, transferred | 0 | (3,500) | 0 | 0 | 0 | 0 | 0 | 0 |
| | Unobligated balance, end of year | 1,150 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Financing from transfers: | | | | | | | | |
| | Transfers from other accounts (-) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Transfers to other accounts (+) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Appropriation | 88 19,208 | 94 18,520 | 97 17,930 | 97 17,930 | 0 | 0 | 0 | 0 |

NOTE: Data has been revised since MAX submission

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
SUMMARY OF FINANCING
(Dollar amounts in thousands)

| | 1993
Actual | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|-------------------------------------|----------------|--------------------------------|--------------|------------------|-------------------------|
| Total Obligations | 20,862 | 24,870 | 19,430 | 19,430 | 0 |
| Offsetting collections from: | | | | | |
| Federal funds | (282) | (100) | (100) | (100) | 0 |
| Trust funds | | | | | |
| Non-Federal sources | (1,708) | (1,400) | (1,400) | (1,400) | 0 |
| Recoveries | | | | | |
| Unobligated balance, start of year | (836) | (1,150) | 0 | 0 | 0 |
| Unobligated balance, transferred | | (3,500) | 0 | 0 | 0 |
| Unobligated balance, end of year | 1,150 | 0 | 0 | 0 | 0 |
| Unobligated balance, lapsing | | | | | |
| Budget Authority | 19,208 | 18,520 | 17,930 | 17,930 | 0 |
| Financing from transfers: | | | | | |
| Transfers from other accounts (-) | 0 | 0 | 0 | 0 | 0 |
| Transfers to other accounts (+) | 0 | 0 | 0 | 0 | 0 |
| Appropriation | 19,208 | 18,520 | 17,930 | 17,930 | 0 |

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

| | FTE | Amount |
|---|----------|--------------|
| Adjustment: | | |
| Non-recurring program | | |
| Other Changes: | | (1,400) |
| Stay-in-school | 3 | |
| 1995 Pay raise | | 59 |
| 1995 Locality pay | | 99 |
| Within-grade step increases | | 44 |
| One less compensable day | | (21) |
| Civil Service Retirement System (CSRS) | | (25) |
| Federal Employees' Retirement System (FERS) | | 45 |
| Thrift Savings Plan (TSP) | | 7 |
| Federal Insurance Contribution Act (FICA) | | 26 |
| Health Insurance | | 17 |
| Employees' compensation fund | | (24) |
| Travel: | | |
| Per diem | | 12 |
| Rental payments to GSA | | 2 |
| Printing and reproduction | | 14 |
| Other services: | | |
| Audit Costs | | 76 |
| Overseas wage increases - 1994 | | (16) |
| Overseas wage increases - 1995 | | 77 |
| Overseas price increases - 1994 | | (78) |
| Overseas price increases - 1995 | | 466 |
| Research Contracts | | 68 |
| Research IN-Flight Survey | | (45) |
| Supplies and materials | | 5 |
| Equipment | | 2 |
| Subtotal, other changes | 3 | 810 |
| Total, adjustments to base | 3 | (590) |

Department of Commerce
United States Travel and Tourism Administration
Salaries and expenses
JUSTIFICATION OF ADJUSTMENTS TO BASE
(Dollar amounts in thousands)

| <u>Object Class</u> | <u>FTE</u> | <u>Amount</u> |
|---------------------|------------|---------------|
|---------------------|------------|---------------|

| | | |
|------------------------------------|--|-----------|
| <u>Non-recurring Program</u> | | (\$1,400) |
|------------------------------------|--|-----------|

An adjustment of \$1,400,000 reflects the Disaster Relief Financial Assistance made available pursuant to P.L. 102-368.

| | | |
|-----------------------------|---|--|
| <u>Stay-In-School</u> | 3 | |
|-----------------------------|---|--|

An adjustment from OPM was received to reflect bureau stay-in-school FTE allocations.

| | | |
|-------------------------|--|----|
| <u>Pay Raises</u> | | 59 |
|-------------------------|--|----|

1995 pay increase and related costs
The 1995 President's budget assumes a pay raise of 1.6 percent to be effective January 1, 1995.

| | |
|---|--------------|
| Total cost in 1995 of pay increase | 55,000 |
| Less amount absorbed in FY 1995 | <u>0</u> |
| Amount requested for 1995 pay increase | 55,000 |
| Payment to Working Capital Fund | <u>4,000</u> |
| Total, adjustment for 1995 pay increase | 59,000 |

1994 Locality pay raise

Full-year cost of 1994 locality pay increase and related costs. A locality pay raise was implemented in January, 1994.

| | |
|---|---------------|
| Total cost in 1995 of 1994 locality pay raise | 84,000 |
| Less amount funded in 1994 | 0 |
| Less amount absorbed | 0 |
| Amount requested in 1995 to provide full-year cost of 1994 locality pay raise | 84,000 |
| Payment to Working Capital Fund | <u>15,000</u> |
| Total adjustment for 1994 locality pay raise | <u>99,000</u> |

Within-grade step increases

An increase of \$43,646 is required to cover the cost of within-grade step increases. This estimate reflects the net cost of step increases including merit pay increases which will be earned in 1995.

| | |
|--|---------------|
| Regular: | |
| Estimated number of within-grade step increases | 28 |
| Step increases not earned due to turnover (19.1% x 28) | 5 |
| Average step above step 1 per separation | 2 |
| Average cost per within-grade step increase | 1,179 |
| Gross cost of scheduled step increases (1,179 x 28) | 33,012 |
| Less savings due to separations (1,179 x 5 x 2) | <u>11,790</u> |
| Subtotal, personnel compensation | 21,222 |
| Benefits | <u>3,525</u> |
| Subtotal | <u>24,747</u> |

| | |
|--|--------|
| Foreign Service: | |
| Estimated number of within-grade step increases | 8 |
| Step increases not earned due to turnover | 0 |
| Average step above step 1 per separation | 2 |
| Average cost per within-grade step increase | 2,050 |
| Gross cost of scheduled step increases (2,050 x 8) | 16,400 |
| Less savings due to separations | 0 |
| Subtotal, personnel compensation | 16,400 |
| Benefits | 2,499 |
| Subtotal | 18,899 |
| Total adjustment-to-base | 43,646 |

(21)

One less compensable day

The cost of one less compensable day in 1995 compared to 1994 is calculated by dividing the FY 1994 estimated personnel compensation (\$5,030,000) and applicable benefits (\$425,000) by 261 compensable days. The cost reduction for one less compensable day is \$20,900.

FTE Amount
(25)

Civil Service Retirement System (CSRS)

The number of regular employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for regular employees covered by CSRS will drop from 57.8% in 1994 to 42.3% in 1995. For foreign service employees, the rate will increase from 73.2% in 1994 to 74.4% in 1995. Contribution rates will remain the same.

| | |
|----------|------------------------------|
| Regular: | |
| 1995 | \$2,432,000 x .423 x .07 |
| 1994 | \$2,432,000 x .578 x .07 |
| Subtotal | 72,012
98,399
(26,387) |

Foreign Service:

| | |
|----------|---------------------------|
| 1995 | \$1,212,000 x .744 x .075 |
| 1994 | \$1,212,000 x .732 x .075 |
| Subtotal | 67,630
66,539
1,091 |

Total adjustment-to-base (25,296)

Federal Employees' Retirement System (FERS)

45

The number of regular employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 42.2% in 1994 to 57.7% in 1995 for regular and drop from 26.8% in 1994 to 25.6% in 1995 for foreign service employees. The contribution rate for regular employees is expected to remain at 12.9% and 24.10% for foreign service employees.

FTE Amount

| | | |
|------------------|----------------------------|---------------|
| Regular: | | |
| 1995 | \$2,432,000 x .577 x .129 | 181,021 |
| 1994 | \$2,432,000 x .422 x .129 | 132,393 |
| | Subtotal | <u>48,628</u> |
| Foreign Service: | | |
| 1995 | \$1,212,000 x .256 x .2410 | 74,776 |
| 1994 | \$1,212,000 x .268 x .2410 | <u>78,281</u> |
| | Subtotal | <u>-3,505</u> |
| | Total adjustment-to-base | 45,123 |

7

Thrift Savings Plan (TSP)

The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain 2%.

| | | |
|------------------|--------------------------|---------------|
| Regular: | | |
| 1995 | \$2,432,000 x .577 x .02 | 28,065 |
| 1994 | \$2,432,000 x .422 x .02 | <u>20,526</u> |
| | Subtotal | <u>7,539</u> |
| Foreign Service: | | |
| 1995 | \$1,212,000 x .256 x .02 | 6,205 |
| 1994 | \$1,212,000 x .268 x .02 | <u>6,496</u> |
| | Subtotal | <u>-291</u> |
| | Total adjustment-to-base | 7,248 |

Federal Insurance Contribution Act (FICA)

As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will rise from \$60,150 in 1994 to \$61,050 in 1995. The OASDI tax rate will remain at 6.2% in 1995.

| | |
|--------------------------|----------------------------------|
| Regular: | |
| 1995 | \$2,432,000 x .577 x .062 x .952 |
| 1994 | \$2,432,000 x .422 x .062 x .873 |
| Subtotal | 82,826 |
| | 55,550 |
| | 27,276 |
| Foreign Service: | |
| 1995 | \$1,212,000 x .256 x .062 x .833 |
| 1994 | \$1,212,000 x .268 x .062 x .858 |
| Subtotal | 16,024 |
| | 17,279 |
| | -1,255 |
| Total adjustment-to-base | 26,021 |

Health Insurance 17

Effective January 1993, USTTA's contribution to Federal employee's health insurance premiums increased by 9.2%. Applied against the 1994 estimate of \$186,000, the additional amount required is \$17,112.

Employees Compensation Fund (24)

The Employees' Compensation Fund bill for the year ending June 30, 1993, is \$23,608 higher than the bill for the year ending June 30, 1992. The charges will be reimbursed to the Department of Labor pursuant to 5 U.S.C. 8147.

Per diem increase

Effective January 1993, the General Services Administration raised per diem rates. This increase results in a 4.9% increase for USTTA. This percentage was applied to the 1994 estimate of \$238,000 to arrive at an increase of \$11,662.

Rental Payments to GSA

GSA has provided an estimate of \$481,571 for charges in FY 1995. This represents an increase of \$1,571 over the 1994 estimate of \$480,000.

GPO Printing

GPO has provided an estimated rate increase of 3.0%. This percentage was applied to the 1994 estimate of \$465,000 to arrive at an increase of \$13,950.

Audit Costs

An increase of \$76,000 is required to cover the cost of auditing financial statements, as required by the CFO Act.

Overseas Wage Increases - 1994 Estimates

The decrease of \$16,123 for overseas wages represents the effects of revised estimates for FY 1994 fluctuations in the exchange and inflation rates. Rates were provided by the WEFA Group and State Department who used Data Resources, Inc. as a source. This decrease represents fluctuations from 1994 to 1995 based on current estimates.

FTE Amount
77

Overseas Wage Increases - 1995 Estimates

The increase of \$77,420 for overseas wage increases represents uncontrollable fluctuations in the exchange and inflation rates. Rates were provided by the WEFA Group and State Department who used Data Resources, Inc. as a source. This increase represents fluctuations from 1994 to 1995 based on current estimates.

(78)

Overseas Price Increases/Contract Adjustments - 1994 Estimates

The decrease of \$78,125 for overseas price adjustments represents the effects of revised estimates for FY 1994 fluctuations in the exchange and inflation rates. Rates were provided by the WEFA Group and State Department who used Data Resources, Inc. as a source. This decrease represents fluctuations from 1994 to 1995 based on current estimates.

466

Overseas Price Increases/Contract Adjustments - 1995 Estimates

The increase of \$466,271 for overseas price increases represents uncontrollable fluctuations in the exchange and inflation rates. Rates were provided by the WEFA Group and State Department who used Data Resources, Inc. as a source. This increase represents fluctuations from 1994 to 1995 based on current estimates.

68

Research Contracts

Basic Foreign Travel Statistics - \$23,364

Based on the agreement between USTTA and the Immigration and Naturalization Service (INS), USTTA's share of program costs in FY 1995 will increase by approximately 19.8%. Based on the FY 1994 estimate of \$118,000, an adjustment to base of \$23,364 is required

USTTA-21

FTE Amount

in FY 1995. This increase is an uncontrollable cost of providing the same level of services as were funded in the 1994 budget and results from an increase that is being passed on to this agency by INS.

In-Flight Survey Program - \$38,937

In order to provide the same level of service as provided in FY1994, USTTA requires an adjustment to base of \$38,937, which represents the difference between the contract cost of \$811,540 in FY 1994 versus \$850,477 in FY 1995.

Consumer Behavior Studies - \$4,000

Based upon an agreement between USTTA and Tourism Canada, costs to conduct the Pleasure Travel Markets to North America Consumer Behavior Surveys will be equally shared between the two organizations. Tourism Canada has provided USTTA with an estimate of \$200,000 in FY 1995 which represents an increase of \$4,000 over the FY 1994 estimate of \$196,000. The cost is to obtain the same information delivered to the Agency in FY1994.

Econometric Programs - \$1,899

The studies conducted under this program are contracted out and an estimate of \$54,799 has been provided for FY 1995. This represents an increase of \$1,899 over the FY 1994 base of \$52,900.

(45)

In-Flight Survey

A decrease of \$45,000 is required in the In-Flight Survey due to completion of modifications for an enhanced questionnaire funded in FY 1994.

FTE Amount
5

Supplies and Materials

Based on the GDP deflator of 2.8%, the cost of supplies and materials is expected to increase by \$5,432 from the FY 1994 estimate of \$194,000.

2

Equipment

Based on the GDP deflator of 2.8%, the cost of equipment is expected to increase by \$2,492 from the FY 1994 estimated of \$89,000.

3
(590)

Total, Adjustments-to-Base

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: International Tourism Development
Subactivity: International Tourism Development

| Line item | 1993
Actual
FTE | Amount | 19 94 | | 1995
Base
FTE | Amount | 1995
Estimate
FTE | Amount | Increase/
(Decrease)
over 1995 Base
FTE | Amount |
|--------------------------------|-----------------------|--------|-------|------------------------|---------------------|--------|-------------------------|--------|--|--------|
| | | | FTE | Currently
Available | | | | | | |
| International Tourism Develop. | 79 | 16,828 | | 79 | 81 | 15,157 | 81 | 15,157 | 0 | 0 |
| Pos/BA. | | | | | | | | | | |
| FTE/Obl. | 75 | 16,552 | | 79 | 81 | 15,157 | 81 | 15,157 | 0 | 0 |
| Pos/BA. | | | | | | | | | | |
| FTE/Obl. | 75 | 16,552 | | 79 | 81 | 15,157 | 81 | 15,157 | 0 | 0 |
| Total | | | | | | | | | | |

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
JUSTIFICATION OF PROGRAM AND PERFORMANCE
(Dollars in thousands)

Activity: International tourism development
Subactivity: International tourism development

Goals and Objectives for FY 1995

Goals:

The goals of international tourism development are to increase U.S. export earnings from trade in tourism by facilitating international tourism development; coordinating tourism policy both domestically and internationally so as to increase international travel and tourism; carrying out statistical research programs designed to increase the American travel industry's awareness of the international tourism market; facilitating the entry of medium and small-sized American travel companies into the market; eliminating barriers to market entry for those companies; and providing financial assistance to States, cities, and private sector organizations to develop regional cooperative tourism marketing programs.

Objectives:

The objectives of this subactivity are to encourage the U.S. travel and tourism industry to expand its international trade efforts to increase U.S. earnings from trade in tourism; increase the number of medium and small-sized firms involved in the international travel market; provide accurate and timely market research and economic data on international travel; identify and seek to remove barriers to the entry and growth of U.S. tourism services in the international market; facilitate the entry of regions, States, cities and private sector entities including medium and small-sized businesses into the international market by providing them with the market intelligence, counseling, and training necessary to develop their international tourism trade development programs; develop policies to stimulate in rural and multi-cultural tourism; encourage and sponsor additional involvement by regional organizations, State and local governments in international tourism development efforts while protecting the environment through seminars, workshops and other forms of technical

assistance; and promote environmentally sustainable tourism development.

The benefits of achieving these objectives are additional jobs, increased U.S. export earnings, higher national income, increased tax revenues, economic revitalization of rural areas which are looking beyond agriculture for business and employment opportunities, and economic assistance to minority communities through development of international tourism to their major attractions.

Base Program FY 1995

To meet its goals and objectives, USTTA develops pertinent international trade information on numerous tourism development opportunities for the American travel industry, provides counseling and training on these opportunities for the U.S. and the international tourism business community, and works with other public and private sector entities to bring about effective tourism development in this country. USTTA develops and makes available to the private sector as well as regions, State and local governments, a wide variety of tourism development programs and financial assistance designed to meet the planning and marketing needs of industry users and achieve the ultimate aim of increasing U.S. in-bound tourism.

TOURISM TRADE DEVELOPMENT (FTE 66; \$12,776)

USTTA conducts international tourism trade development programs to expand inbound tourism and to increase the competitiveness of U.S. travel companies in the international market. Its principal tourism trade development activities are designed to: educate and motivate U.S. travel industry organizations to enter/expand promotional efforts in markets abroad; facilitate these organizations' promotional efforts abroad; stimulate consumer demand for travel to the United States; educate and motivate travel agents and tour operators abroad to sell the United States as a destination; provide U.S. travel information and services to prospective visitors; and promote international attendance at U.S. conferences, conventions, and meetings.

Tourism Trade Development - (FTE 16; \$958)

Tourism Trade Development is responsible for establishing, implementing and supervising the agency's international tourism development program. This Office is also responsible for the development and implementation of cooperative international tourism development programs with U.S. regions, States, cities, and the travel industry. The Office

establishes and maintains working relationships with U.S. tourism groups to enlist cooperative partners, provide technical assistance and training to the U.S. travel trade, and holds trade development conferences aimed at coordinating U.S. international tourism development in key international markets. The Office conducts program reviews to assess and direct USTTA activities abroad. The tourism trade development staff is also responsible for training, career development, financial management, and liaison with other segments of USTTA and Departmental program elements as well as for building a highly motivated, well-trained corps of tourism-oriented career foreign service officers for office operations abroad. This office monitors achievements of organizations who receive disaster relief grants aimed at increasing tourism to their areas.

Regional Office Operations - (FTE 50; \$11,578)

USTTA operations abroad work directly to increase U.S. earnings through trade in tourism and to increase the number of medium and small-sized firms participating in the international travel market. USTTA offices abroad were established to carry out Department of Commerce programs for the direct benefit of the U.S. economy. USTTA has offices in nine countries (Canada, Mexico, the United Kingdom, France, Germany, Japan, Australia, Italy and the Netherlands), and one domestic office in Miami, Florida which services five South American countries--Argentina, Brazil, Colombia, Ecuador and Venezuela. USTTA offices abroad also operate cooperative travel development, technical assistance, and educational programs in 11 other countries in cooperation with the U.S. and Foreign Commercial Service and local VISIT USA Committees. For this reason, these offices are called "regional" offices. In 1995, these primary and other markets will provide an estimated 85% of all international visitors to the U.S. and 76% of U.S. tourism export earnings. The regional offices develop and implement cooperative trade development and support programs which stimulate international trade in tourism to all areas of the U.S. These programs are developed with the cooperation and input of Visit USA Committees in each market which consist of U.S. and international travel industry marketing representatives who provide the public and private sector support for USTTA's international tourism development program. Cooperative programs include cooperative advertising, journalist and travel agent familiarization tours, travel missions, travel trade shows, media events, and marketing workshops and seminars for the travel industry. Cooperative support programs include the development of informational travel brochures and displays, consumer and trade information services, maintenance of film and video libraries, photo libraries, and reference library material. These programs stimulate demand for U.S. tourism products. Informational materials are distributed through regional office consumer and trade information centers by trained market specialists and information counselors. These counselors educate and motivate

the international-based wholesale and retail industry to increase their efforts on behalf of international tourism export development to the United States while providing travel information to consumers and retail agents.

Multilingual Receptionist - (\$240)

The cooperative multilingual receptionist program is supported by USTTA, The Department of Education, and airport and city authorities. USTTA's portion of funding represents approximately 16 percent of the total amount spent on this program. The multilingual receptionist program, now operating at 12 major U.S. airports, provides assistance in interpreting service to non-English speaking international visitors. Participating airports include Atlanta, Bangor, Boston, Honolulu, Kennedy, Los Angeles, Miami, New Orleans, Chicago O'Hare, Philadelphia, Seattle/Tacoma, and San Juan. The receptionists are stationed in Federal inspection areas and work closely with the Immigration and Naturalization Service, the Customs Service and the Department of Agriculture to expedite the entry of international visitors.

RESEARCH (FTE 7; \$1,749)

The research function contributes toward accomplishing USTTA's mandates under the current authorizing statute which includes a provision to "optimize the contribution of the tourism and recreation industries to economic prosperity, full employment, and the international balance of payments." Another section of the authorizing legislation is 22 U.S.C. 2121(b)(1) which requires USTTA to "assist in the collection, analysis, and dissemination of data which accurately measure the economic and social impact of tourism to and within the United States, in order to facilitate planning in the public and private sector." The market research, economic and demographic data collected on the international travel market is disseminated to meet the needs of public and private sector decision makers. The programs involve assisting businesses to increase service exports and expand into new markets. The office supports the marketing and policy initiatives in rural and multi-cultural tourism. In addition, the market intelligence provided to these businesses helps them identify partners in order to develop effective marketing plans to reach the international traveler. Small and medium size firms cannot collect this type of data. As applicable to the FY1995 budget, these areas are addressed.

Research Staff - (FTE 7; \$444)

The Office of Research provides staff support and develops economic and marketing data required for program planning and evaluation in the public and private sector of the U.S. tourism industry. The research staff develops

market analyses in direct support of Departmental and agency objectives and strategies; undertakes necessary research in support of, and advises on the direction and content of trade development programs contained in the agency's regional marketing plans; collects data to identify the travel patterns, characteristics, and spending habits of international travelers within the U.S.; identifies the potential markets for travel to and within the U.S.; carries out tracking and periodic evaluation studies to assess the relative effectiveness of USTTA's programs; forecasts trends in international tourism; maintains a data bank of international travel information; and responds to more than 8,000 travel industry requests for technical assistance and research information each year. All of the research programs in place complement each other to provide a total picture of the international market for tourism researchers, planners, and marketers.

Research Program - (\$1,305)

USTTA's research program gathers, analyzes, and provides comprehensive, timely data on international travel market economic activity to public and private sector marketing and policy planners. Major components of the USTTA research program include:

USTTA Survey of International Air Travelers - (\$697)

Initiated in FY1982, the In-Flight Survey (IFS) gathers essential marketing information from U.S. and international travelers departing the United States. The survey requires the cooperation of major international air carriers and the U.S. international airports. The public/private partnership provided by these carriers and airports is at least equal to what USTTA spends on this program. USTTA also finances this program in part through user fees, subscriptions and interagency funding. In FY1995, total program costs are estimated at \$900,000, of which \$209,000 will come from sponsors and fee collections.

This survey is the only comprehensive, comparable source that analyzes visitor characteristics, travel patterns (i.e. the States and cities visited by international travelers) and spending habits. The survey results are used by the Bureau of Economic Analysis (BEA) to develop data on the U.S. international travel dollar accounts. The Office of Management and Budget (OMB) has mandated that the BEA use the travelers' expenditure data generated from this survey for estimating U.S. international travel receipts and payments for use in the balance of payment figures which account for 40% of the service exports and imports. This survey is the only source for this information and through its use, in 1989, the United States could verify its first sustainable travel surplus of

\$5.2 billion in 1989. This positive balance continues with an the estimated travel surplus for 1994 of \$25.6 billion. This expenditure data is used by a private firm, the U.S. Travel Data Center, to estimate state specific spending, jobs, payroll, and tax revenues that are generated by international travel.

Notwithstanding this important use, the travel industry relies heavily on the IFS. Quarterly reports are provided to the airlines and airports in return for their participation in data collection. The troubled airline industry has looked to this program to identify the growth markets that will help this industry out of its major financial difficulties. Annual reports are also issued to subscribers on inbound and outbound market characteristics. Special analyses and computer tapes are provided to individual purchasers as required. In 1993, a new survey instrument was implemented. Developed in conjunction with the airlines and travel industry, this data is providing the travel industry with an enhanced level of information never before provided to travel industry planners.

Over the past few years, USTTA has met with the participating airlines and other users of the In-Flight Survey data base. Each year, the airlines, airport authorities and other users request that USTTA work closer with the Department of Transportation (DOT) and the Department of State on issues related to international routes. In response to this request, USTTA has developed an initiative to work with DOT to have the In-Flight Survey used as an instrument for international route planning. In meetings with DOT officials, they have stated an interest in this data set for this purpose, but they have also expressed concern on the survey's limited sample size, number of carriers and regional representation. These concerns are valid especially if USTTA is to complete its mandate to better track Eastern European traffic. DOT stated that, before they fully use this data base, improvements in these areas must be made. In FY1993 and FY1994, DOT will make limited use of this program since it complements the existing DOT data bases and provides information that has supported route case and investment decisions.

Additionally, USTTA is also investigating the possibility of working closer with the Immigration and Naturalization Service (INS), the U.S. Customs Service, and the airlines and airport authorities related to the Tourism Policy and Export Promotion Act of 1992 including Title II (22 U.S.C. 2123c) which states that "the Secretary shall, in coordination with appropriate Federal agencies, take appropriate action to ensure that foreign tourists are not unnecessarily delayed when entering the United States and to ensure that the international standard of the International Civil Aviation Organization is met." In 1993, USTTA started collecting data on the time required to clear passport control and customs. In addition, an airport rating question was added. Together the questions, combined with the other data collected, should enable USTTA to work with INS and Customs to meet this mandate.

Basic Foreign Travel Statistics -- (\$292)

USTTA collects basic data on international travelers from four separate government sources. The first is a monthly count of non-immigrant international visitor arrivals by country of residence. Derived from the INS Form I-94, these data are collected by INS on inbound non-immigrant international visitors from overseas countries and is the only source for this information. This report provides the basic information on numbers of international visitors traveling to the U.S. from various countries and world regions. One use of these data is to weight the survey responses collected from the In-Flight Survey to a known international arrival universe. USTTA receives data tapes from INS and processes this data to provide reports on a monthly basis. These data also provide information to determine the number of visitors by country of residence, port-of-entry, mode of transportation, and type of visa. These data provide a base-line measurement of U.S. tourism export activities. USTTA also uses this information to develop a monthly report called the "Summary and Analysis of International Travel to the United States." It is released to USTTA staff, the Bureau of Economic Analysis paying subscribers, and it is used extensively to answer inquiries from the private and public sectors, as well as the tourism industry.

The second source tracks international air arrivals and departures of aliens and U.S. citizens by point of origin and destination, excluding Canada. These data are derived from the INS Form I-92 administered on a flight-by-flight basis. The information, processed and published by the Department of Transportation (DOT), provides critical support for the USTTA In-Flight Survey. The I-92 is used to weight the In-Flight Survey sample up to a known U.S. citizen outbound universe. This data base is the only source of information available on the volume and international travel patterns of outbound U.S. citizens. Consequently, it is used by the Bureau of Economic

Analysis (BEA) in estimating international travel payments of Americans traveling abroad. In addition, it provides a means for analyzing U.S. international carriers' competitive performance against foreign flag carriers in individual international markets.

Two other sets of basic statistics on border-crossers are obtained from Canada and Mexico. Both the Canadian and Mexican governments have survey programs in place to gather these data. It is much more cost effective to obtain data from these government sources than to fund and implement a U.S. government survey to collect the same type of information. Canadian data are purchased from Statistics Canada at an annual cost of \$50,000. Data on travel to and from Mexico is collected by the Banco de Mexico and is currently provided from the Secretaria de Turismo, the Mexican government agency in charge of tourism development, in exchange for Mexico data from USTTA's In-Flight Survey. Recent agreements to move toward a single set of travel data mean that USTTA will be more involved with Mexican statistics collection. These data are provided in the form of hard copy.

Co-sponsored Consumer Behavior Surveys -- (\$196)

The funding level for the consumer behavior studies in FY1992 allowed USTTA and Tourism Canada to redesign the existing consumer behavior questionnaire and develop a new component to the survey that would be directed to the travel trade in the country of question. Information was collected in the FY1993 Australia and Taiwan studies from 1,200 consumers each and from approximately 150 travel trade respondents in each market. The work conducted in FY1994 will be a study of two of the major tourism generating countries, Japan and Mexico. Japan, the top overseas market for the U.S. will account for over 7% of all arrivals in 1994. For 1994, USTTA estimates 3.3 million arrivals and a 1% increase over 1993. Japan was studied in 1986 and 1989. The results of these studies indicated that the incidence rate grew from 5% of the adult population to 11%. Mexico is the second largest country generating visitors to the U.S. With the passing of the North America Free Trade Agreement (NAFTA), USTTA hopes to see a jump in the incidence rate for Mexican interest in the United States. Mexico was studied in 1988, and since then arrivals from Mexico have grown 32% to 10.4 million in 1994.

The program for FY1995 is planned to include the consumer, travel trade and tour products studies in two major tourism generating European markets, Germany and Italy. Germany is the fifth largest market with 2.7 million

arrivals projected for 1995, with the greatest increase in European arrivals, up nearly 17% over the 1994 level. Additionally, the strong interest in international travel by the residents of these countries is found in the escalating incidence rates (incidence rate is the percentage of the adult population who have traveled outside their country on long-haul pleasure travel for four or more nights within the three years prior to the study or who planned to make such a trip within two years following the study) as proven in previous studies -- between 1986 and 1989, the incidence rate for Germany skyrocketed from 9% to 24% over the three year period. The second country will be the re-study of the Italian pleasure market, first studied in 1988, with growth of 78% from the original study in 1988 to 1995 (projected).

Marketing Program Evaluation Studies -- (\$70)

Program evaluation studies track and assess the effectiveness and impact of selected USTTA programs and activities. These studies are important in determining whether the funds being spent on a particular program or activity are being utilized wisely and benefiting the appropriate customers. Examples of the types of studies conducted include: assessments of consumer information service centers, assessments of promotional campaigns via pre/post research studies, and surveys of seminar and conference attendees. Surveys are also conducted of those who rely on USTTA services to examine satisfaction and solicit suggestions for program improvement.

In FY1995, several seminars and conferences will be evaluated, including the marketing outreach workshops held in the fall and the International Tourism Conference in February. Additional evaluation surveys of the new consumer information service centers in the United Kingdom and Canadian offices will be conducted to assess the impact of the newly implemented systems for servicing requests from consumers and the trade. This will provide insight into whether similar cost-saving systems are worth implementing in the other regional offices. Also planned for FY1995 will be surveys of our "partners", those organizations with which our regional offices deal in promotional efforts to reach the trade and traveling public. Those partners will be surveyed to determine their goals/expectations of selected USTTA projects and their level of satisfaction with those projects and with USTTA's cooperation. It is important to understand how these partners view the success of these programs to ascertain the value of USTTA's involvement and effort with the programs. Additional studies anticipated would be of industry groups who are primary customers of selected USTTA programs to determine whether the programs are meeting their needs and where improvements can be made to make the program more effective. This knowledge will allow USTTA to modify and improve the programs for more efficient use of the resources.

Two types of studies using econometric models are conducted annually. The first is an International Travel Forecast Model, conducted under contract. This program forecasts international visitor arrivals to the U.S. from more than 20 major tourism generating countries and world regions. It does so on a five-year time horizon. These projections are updated three times annually and are critical to the industry for anticipating market developments and marketing opportunities. Additional economic indicators such as exchange rates, changes in consumer price index, and unemployment are provided annually. In FY1994, the model was bid to include an outbound forecast of American residents traveling to international destinations.

The second type of econometric analysis is an annual study of the Economic Impact of International Visitor Spending on the nation, regions and States. This study, conducted under contract, establishes the distribution and economic impact in terms of business receipts, jobs, payroll and tax revenues by sector of international travelers' expenditures in this country. These data are particularly useful in educating future cooperative partners about the potential of international travel markets.

POLICY (FTE 8; \$632)

The Office of Policy and Planning (OPP) is responsible for a wide range of policy development, coordination and negotiation activities, both internationally and domestically, as well as policy analysis and strategic studies. It works on a broad interagency basis to make sure that travel and tourism interests are taken into account throughout the government in developing and implementing U.S. economic and trade policies which affect travel and tourism. The Office helps to identify new policy issues (such as the environment, health, safety and security, multi-cultural tourism, education and training, and the economic and competitive impact of electronic marketing); it provides policy support to all segments of the agency and the Department at all levels, and often to other agencies and departments.

The Office coordinates the activities of and provides staff support to the Secretary's Tourism Policy Council and its committees. Mandated by the National Tourism Policy Act of 1981, this interagency council is charged with coordinating the policies and programs of Federal Agencies that have a significant effect on tourism; identifying areas of cooperation between Federal Agencies and the programs they administer; resolving interagency policy and program conflicts; and seeking and considering industry, State and local government concerns about Federal policies and programs which conflict with the orderly growth and development of tourism. During FY 1994, the Council is creating a

national tourism development strategy which will be submitted to the Vice President in response to the recommendation to revitalize and strengthen the Council. The Council expects that the strategy will improve the Federal Government's responsiveness to the Country's tourism needs and further the use of tourism as an economic development tool.

OPP also monitors and implements the tourism provisions of multilateral and bilateral trade and investment agreements including the North American Free Trade Agreement (NAFTA), U.S. bilateral tourism agreements, and other country- or region-specific policy arrangements; represents Departmental and industry interests in working for Congressional approval of the General Agreement on Trade in Services (GATS); represents the Federal Government at meetings of international, intergovernmental technically specialized agencies and their organs (including the 120-member World Tourism Organization (WTO), the 17-member Asia-Pacific Economic Cooperation Group (APEC), the 34-member Organization of American States (OAS), the 24-member Organization for Economic Cooperation and Development (OECD), the 77-government member Pacific Asia Travel Association (PATA), and the 43-member Bureau of International Expositions (BIE), which regulates the timing and operation of World's Fairs. OPP represents the agency at meetings of various joint commercial commissions chaired by the Secretary of Commerce and is responsible for developing a U.S. policy response to the tourism-related activities of the European Communities, Eastern Europe, the Newly Independent States, the Pacific-Asia region, and Latin America.

OPP provides support to, and advises, the U.S. Trade Representative in the conduct of multilateral and bilateral trade and investment negotiations which affect the U.S. travel industry's access to international markets; represents the national tourism interest in bilateral civil aviation negotiations with international governments and ensures that tourism interests are considered when U.S. negotiating objectives and strategies are determined; and conducts negotiations with governments of other countries to reduce or eliminate impediments to international trade in tourism.

This Office is responsible for evaluating all proposals for international expositions to be held in the United States under PL 91-269; counselling all potential U.S. fair organizers seeking Federal recognition of a domestic world's fair on the application procedures of the Bureau of International Expositions (BIE); reviewing private sector applications for compliance with BIE regulations; conducting feasibility studies of international expositions proposed for the United States and making recommendations to the Secretary on their potential viability and suitability for Federal recognition; seeking BIE registration for Federally-recognized fairs; monitoring the development of Federally-recognized, BIE-sanctioned expositions; and organizing and coordinating the Federal Government's registered and recognized international expositions held in the United States.

Under the Tourism Policy and Export Promotion Act of 1992, OPP is responsible for developing a plan for identifying, analyzing and working to eliminate acts, policies, or practices of other countries that constitute significant barriers to, or distortions of, U.S. travel and tourism exports. USTTA will develop methodology to estimate the distorting impact on U.S. commerce of any act, policy, or practice identified through this program.

The Office also implements the tourism-related aspects of the initiative on rural development and develops policy programs including national rural tourism development conferences, which assist in economic development within the country leading to job opportunities, particularly for various ethnic groups and small- and medium-sized businesses. Under the Tourism and Policy Export Promotion of 1992, this office is called upon to work with the Rural Tourism Foundation which was established as a non-profit, charitable corporation for the development and promotion of rural tourism.

OPP is also called upon to assist in the administration of the Travel and Tourism Advisory Board, the private sector group of travel and tourism executives and leaders created by statute to advise the Secretary of Commerce on all matters affecting U.S. travel and tourism interests. In doing so, OPP interacts with other governmental policy offices and international organizations.

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
JUSTIFICATION OF PROGRAM AND PERFORMANCE
(Dollars in thousands)

Activity: Executive direction
Subactivity: Executive direction

Goals and Objectives for FY 1995

Goals:

The goal of USTTA executive direction is to determine the overall policies and direction of USTTA and provide leadership in the implementation of the agency's goals, objectives and programs.

Objectives:

The objectives of this function are to: develop and implement managerial policies; provide strategic and tactical direction to USTTA trade development, trade policy and statistical research programs; provide effective administrative support of agency operations; and represent USTTA before the Congress, Federal Agencies and other governmental and private sector organizations.

Base Program FY 1995

USTTA's executive direction is provided by the Office of the Under Secretary and the Office of Strategic Planning and

Administration. Together these offices provide strategic and administrative guidance and support to headquarters and international operations. Resources required for centralized services are also provided in this subactivity.

HEADQUARTERS STAFF (FTE 16; \$1,169)

Office of the Under Secretary - (FTE 7; \$696)

The Under Secretary of Commerce for Travel and Tourism is responsible for management and leadership of USTTA. The Under Secretary exercises the duties and responsibilities of the Secretary under the International Travel Act of 1961, as amended by the Tourism Policy and Export Promotion Act of 1992, the Omnibus Budget Reconciliation Act of 1990, and other authorities as delegated by the Secretary. The Under Secretary provides leadership at the national level to focus the attention and efforts of private, state and local tourism officials on increasing U.S. export earnings through international trade in tourism. The Under Secretary for Travel and Tourism is responsible for directing USTTA activities including Executive branch coordination, regional/state/city/industry/intergovernmental coordination and liaison, public relations support, and policy direction for the Travel and Tourism Advisory Board and Tourism Policy Council.

Office of Strategic Planning and Administration - (FTE 9; \$473)

The Office of Strategic Planning and Administration (OSPA) advises USTTA offices on all administrative matters. It coordinates the planning for and preparation of all budget submissions required by the Agency. The Office prepares operating and program budgets for USTTA units and monitors the funds to ensure effective use is made and limits are

not exceeded. The Office coordinates and processes all requests for training and personnel actions and all requirements for procurement action. OSPA is responsible for the analysis and evaluation of automatic data processing capabilities and needs with the purpose of recommending equipment that will allow the staff to operate using the latest technology available. OSPA is also responsible for coordinating the input and preparation of USTTA's strategic plan of operation.

CENTRALIZED SERVICES (\$1,604)

Centralized services consist of administrative support furnished by the Department of Commerce, and other Government Agencies or USTTA itself, to all USTTA offices located in Washington, D.C. and Miami, Florida. These services which are paid to the providers include GSA space rental, postal charges to the United States Postal Service, telephone services, Federal Telecommunications Services, publications services, automatic data processing services, personnel services, accounting support, security services, procurement support and legal assistance.

Exhibit 16

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

| Object Class | 1993
Actual | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
(Decrease)
over 1995 Base |
|---|----------------|--------------------------------|---------------|------------------|---|
| 11.0 Personnel compensation | | | | | |
| 11.1 Full-time permanent | 4,261 | 5,205 | 5,333 | 5,333 | 0 |
| 11.3 Other than full-time permanent | 126 | 30 | 30 | 30 | 0 |
| 11.5 Other personnel compensation | 185 | 51 | 51 | 51 | 0 |
| 11.8 Special personnel services payments | 0 | 0 | 0 | 0 | 0 |
| 11.9 Total personnel compensation | 4,572 | 5,286 | 5,414 | 5,414 | 0 |
| 12.1 Civilian personnel benefits | | | | | |
| 13.0 Benefits for former personnel | 1,219 | 1,481 | 1,527 | 1,527 | 0 |
| 21.0 Travel and transportation of persons | 0 | 0 | 0 | 0 | 0 |
| 22.0 Transportation of things | 389 | 408 | 420 | 420 | 0 |
| 23.1 Rental payments to GSA | 84 | 80 | 80 | 80 | 0 |
| 23.2 Rental payments to others | 456 | 480 | 482 | 482 | 0 |
| 23.3 Commun., util., misc. charges | 980 | 980 | 980 | 980 | 0 |
| 24.0 Printing and reproduction | 815 | 861 | 861 | 861 | 0 |
| 25.1 Consulting services | 698 | 283 | 277 | 277 | 0 |
| 25.2 Other services | 17 | 0 | 0 | 0 | 0 |
| 26.0 Supplies and materials | 5,413 | 8,648 | 8,099 | 8,099 | 0 |
| 31.0 Equipment | 278 | 194 | 199 | 199 | 0 |
| 32.0 Lands and structures | 255 | 89 | 91 | 91 | 0 |
| 33.0 Investments and loans | 0 | 0 | 0 | 0 | 0 |
| 41.0 Grants, subsidies and contributions | 0 | 0 | 0 | 0 | 0 |
| 42.0 Insurance claims and indemnities | 3,518 | 4,400 | 3,000 | 3,000 | 0 |
| 43.0 Interest and dividends | 0 | 0 | 0 | 0 | 0 |
| 44.0 Refunds | 0 | 0 | 0 | 0 | 0 |
| 99.0 Total Obligations | 18,694 | 23,170 | 21,430 | 21,430 | 0 |

NOTE: Data has been revised since MAX submission to reflect more accurate data.

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

| | 1993
Actual | 1994
Currently
Available | 1995
Base | 1995
Estimate | Increase/
(Decrease)
over 1995 Base |
|----|----------------|--------------------------------|--------------|------------------|---|
| 87 | 87 | 94 | 97 | 97 | 0 |
| 1 | 1 | 0 | 0 | 0 | 0 |
| 88 | 88 | 94 | 97 | 97 | 0 |
| 94 | 94 | 94 | 97 | 97 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 94 | 94 | 94 | 97 | 97 | 0 |

Personnel Data
Full-Time equivalent Employment:
Full-time permanent
Other than full-time permanent
Total

Authorized Positions:
Full-time permanent
Other than full-time permanent
Total

Exhibit 17

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

| Object Class | 1995
Adjustments
to Base | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|---|--------------------------------|--------------|------------------|-------------------------|
| 11.0 Personnel compensation | | | | |
| 11.1 Full-time permanent | | | | |
| Executive level | 0 | 123 | 123 | 0 |
| Senior executive service | 10 | 542 | 542 | 0 |
| General schedule | 128 | 2,020 | 2,020 | 0 |
| Commissioned officers | 0 | 0 | 0 | 0 |
| Wage board/wage marine | 0 | 0 | 0 | 0 |
| Scientific & professional (P.L. 8-303) | 0 | 0 | 0 | 0 |
| Examiners of patent appeals (P.L. 82-593, 98-622) | 0 | 0 | 0 | 0 |
| Senior foreign service | 0 | 0 | 0 | 0 |
| Foreign service staff | 19 | 1,231 | 1,231 | 0 |
| Foreign service nationals | 61 | 1,417 | 1,417 | 0 |
| Consultants & experts | 0 | 0 | 0 | 0 |
| Subtotal | 218 | 5,333 | 5,333 | 0 |
| 11.3 Other than full-time permanent | | | | |
| General schedule | 0 | 25 | 25 | 0 |
| Wage board | 0 | 0 | 0 | 0 |
| Consultants & experts | 0 | 5 | 5 | 0 |
| Personnel service contracts | 0 | 0 | 0 | 0 |
| Hourly | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 30 | 30 | 0 |
| 11.5 Other personnel compensation | | | | |
| Overtime | 0 | 7 | 7 | 0 |
| SES performance awards | 0 | 6 | 6 | 0 |
| Cash awards | 0 | 13 | 13 | 0 |
| Merit pay awards | 0 | 25 | 25 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 51 | 51 | 0 |

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Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

| Object Class | 1995
Adjustments
to Base | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|---|--------------------------------|--------------|------------------|-------------------------|
| 11.0 Special personnel services payments | | | | |
| Foreign service officers (State) | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Subtotal | | | | |
| | 216 | 5,414 | 5,414 | 0 |
| 11.9 Total personnel compensation | | | | |
| | | | | |
| 12.1 Civilian personnel benefits | | | | |
| Civil Service retirement | (25) | 56 | 56 | 0 |
| Federal employees' retirement | 45 | 308 | 308 | 0 |
| Thrift savings plan | 7 | 55 | 55 | 0 |
| OASDI | 26 | 84 | 84 | 0 |
| Medicare | 0 | 53 | 53 | 0 |
| Health insurance | 17 | 213 | 213 | 0 |
| Life insurance | 0 | 12 | 12 | 0 |
| Employees' compensation fund | (24) | 0 | 0 | 0 |
| Other | 24 | 748 | 748 | 0 |
| Subtotal | 70 | 1,527 | 1,527 | 0 |
| 13.0 Benefits for former personnel | | | | |
| Severance pay | 0 | 0 | 0 | 0 |
| Unemployment compensation | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Subtotal | | | | |
| | 0 | 0 | 0 | 0 |

Exhibit 17

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

| Object Class | 1985
Adjustments
to Base | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|--|--------------------------------|--------------|------------------|-------------------------|
| 21.0 Travel and transportation of persons | | | | |
| Common carrier | 0 | 143 | 143 | 0 |
| Mileage | 0 | 21 | 21 | 0 |
| Per diem/actual | 12 | 242 | 242 | 0 |
| Vehicular | 0 | 7 | 7 | 0 |
| Other | 0 | 7 | 7 | 0 |
| Subtotal | 12 | 420 | 420 | 0 |
| 22.0 Transportation of things | 0 | 80 | 80 | 0 |
| 23.1 Rental payments to GSA | 2 | 482 | 482 | 0 |
| 23.2 Rental payments to others | 0 | 980 | 980 | 0 |
| 23.3 Communications, utilities and miscellaneous charges | | | | |
| Rental of ADP equipment | 0 | 0 | 0 | 0 |
| Rental of office copying equipment | 0 | 76 | 76 | 0 |
| Other equipment rental | 0 | 30 | 30 | 0 |
| Federal telecommunications system | 0 | 58 | 58 | 0 |
| Other telecommunications service | 0 | 396 | 396 | 0 |
| Postal Service by USPS | 0 | 64 | 64 | 0 |
| Other | 0 | 237 | 237 | 0 |
| Subtotal | 0 | 861 | 861 | 0 |
| 24.0 Printing and reproduction | | | | |
| Publications | 14 | 216 | 216 | 0 |
| Public use forms | 0 | 2 | 2 | 0 |
| Envelopes | 0 | 12 | 12 | 0 |
| Other | 0 | 47 | 47 | 0 |
| Subtotal | 14 | 277 | 277 | 0 |

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

| Object Class | 1995
Adjustments
to Base | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|--------------------------------|--------------------------------|--------------|------------------|-------------------------|
| 25.1 Consulting services | 0 | 0 | 0 | 0 |
| 25.2 Other services | | | | |
| Training: | | | | |
| University | 0 | 0 | 0 | 0 |
| Office of personnel management | 0 | 5 | 5 | 0 |
| Other | 0 | 15 | 15 | 0 |
| Maintenance of equipment | 0 | 25 | 25 | 0 |
| GSA reimbursable services | 0 | 16 | 16 | 0 |
| ADP services | 0 | 6 | 6 | 0 |
| Telecommunications services | 0 | 6 | 6 | 0 |
| Payments to GA, WCF | 0 | 544 | 544 | 0 |
| Other non-government contracts | 348 | 5,400 | 5,400 | 0 |
| Other | 141 | 1,582 | 1,582 | 0 |
| Subtotal | 487 | 7,599 | 7,599 | 0 |
| 26.0 Supplies and materials | | | | |
| Office supplies | 5 | 162 | 162 | 0 |
| ADP supplies | 0 | 23 | 23 | 0 |
| Other | 0 | 14 | 14 | 0 |
| Subtotal | 5 | 199 | 199 | 0 |
| 31.0 Equipment | | | | |
| Office machines and equipment | 2 | 18 | 18 | 0 |
| ADP hardware | 0 | 62 | 62 | 0 |
| ADP Software | 0 | 11 | 11 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Subtotal | 2 | 91 | 91 | 0 |

Department of Commerce
 United States Travel and Tourism Administration
 Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
 (Dollar amounts in thousands)

| Object Class | 1995
Adjustments
to Base | 1995
Base | 1995
Estimate | Increase/
(Decrease) |
|---|--------------------------------|---------------|------------------|-------------------------|
| 32.0 Lands and structures | 0 | 0 | 0 | 0 |
| 33.0 Investments and loans | 0 | 0 | 0 | 0 |
| 41.0 Grants, subsidies, and contributions | (1,400) | 0 | 0 | 0 |
| 42.0 Insurance claims and indemnities | 0 | 0 | 0 | 0 |
| 43.0 Interest and dividends | 0 | 0 | 0 | 0 |
| 44.0 Refunds | 0 | 0 | 0 | 0 |
| 99.0 Total Obligations | (590) | 17,930 | 17,930 | 0 |
| Less prior year recoveries | | | | |
| Total Budget Authority | (590) | 17,930 | 17,930 | 0 |

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DEPARTMENT OF COMMERCE
UNITED STATES TRAVEL AND TOURISM ADMINISTRATION
Salaries and Expenses
APPROPRIATION LANGUAGE AND CODE CITATION

1. "For necessary expenses of the United States Travel and Tourism Administration including travel and tourism promotional activities abroad for travel to the United States and its possessions without regard to 44 U.S.C. 501, 3702 and 3703,"

16 U.S.C. 18
22 U.S.C. 2121-2127

16 U.S.C. 18 reads: the "Secretary of Commerce shall encourage, promote, and develop travel within the United States, including any Commonwealth, territory, and possession thereof, through activities which are in the public interest and which do not compete with activities of any State, city, or private agency..."

22 U.S.C. 2121-2127 provides that "...the Secretary of Commerce shall...develop, plan and carry out a comprehensive program designed to stimulate and encourage travel to the United States by residents of foreign countries."

2. "including employment of American citizens and aliens by contract for services abroad;"

No Specific Authority

44 CG 761, OPM guidance, and House Report 89-188 have concluded that Federal agencies must have specific authority to employ personnel by contract. In order to present its overseas exhibitions, USTTA often requires the use of receptionists, clerical, and other personnel; who only need to be employed for a short period of time. In some cases, however, it is more advantageous to employ U.S. citizens in the host country because they have greater familiarity with American methods and, therefore, require less effort to train.

3. "rental of space abroad for periods not exceeding five years, and expenses of alteration, repair, or improvement; purchase or construction of temporary demountable exhibition structures for use abroad; advance of funds under contracts abroad;"

No Specific Authority

40 U.S.C. 601 prohibits the construction of public buildings except by the Administrator of the General Services Administration. Authority to purchase or construct such demountable structures is necessary to allow USTTA to present exhibitions overseas when permanent exhibition facilities are not available.

41 U.S.C. 10a permits the purchase of articles, materials, or supplies in foreign countries when they are to be used in that country.

4. "payment of tort claims in the manner authorized in the first paragraph of 28 U.S.C. 2672, when such claims arise in foreign countries;"

No Specific Authority

28 U.S.C. 2672 provides for settlement of tort claims for money damages of \$2,500 or less against the United States by the head of each Federal agency for loss of property or personal injury or death caused by a "wrongful act or omission of any employee of the agency while acting within the scope of his office or employment, under circumstances where the United States, if a private person, would be liable...." However, 28 U.S.C. 2680 exempts the settlement of tort claims which arise abroad from the provisions of 28 U.S.C. 2672.

5. "and not to exceed \$15,000 for official representation expenses abroad;"

No Specific Authority

5 U.S.C. 5536 prohibits additional pay or allowance to employees unless the appropriation therefore specifically states that it is for the additional pay or allowance.

6. "To remain available until expended:"

No Specific Authority

31 U.S.C. 718 - Appropriations in annual Appropriation Acts not permanent, states: "No specific or indefinite appropriations...shall be construed to be permanent or available continuously...unless it is made in terms expressly providing that it shall continue available beyond the fiscal year for which the Appropriations Act in which it is contained makes provisions."

7. "Provided, That none of the funds appropriated by this paragraph shall be available to carry out the provisions of section 203 (a) of the International Travel Act of 1961, as amended:"

Public Law 102-372 section 8 (f) (1)
Public Law 102-373 section 8 (f) (2)

Public Law 102-373, section 8 (f) (1) states that: "The total amount of financial assistance that may be provided under subsection (a) shall, in each of the fiscal years 1994, 1995, and 1996, be not less than 25 percent of the amount appropriated....under section 304."

Public Law 102-373, section 8 (f) (2) states that: "Not more than 50 percent of the financial assistance provided under subsection (a) for any fiscal year may be used for tourism trade development designed to promote trade and tourism in the United States....Cooperative tourism marketing programs receiving financial assistance under subsection (a) shall pool 50 percent of their financial assistance for such general tourism trade development in each market selected by the Secretary...." This provision was amended by the Appropriations Committee which counters the authorizing language.

8.

"Provided, That the provisions of the first sentence of section 105(f) and all of section 108 (c) of the Mutual Educational and Cultural Exchange Act of 1961 (22 U.S.C. 2455 (f) and 2458 (c)) shall apply in carrying out these activities; and that for the purpose of this Act, contributions under the provisions of the Mutual Educational and Cultural Exchange Act shall include payment for assessments for services provided as part of these activities."

22 U.S.C. 2455 (f) and 2458 (c)

22 U.S.C. 2455 (f) and 2458 (c) states: "contributions under the provisions of the Mutual Educational and Cultural Exchange Act shall include payment for assessments for services provided as part of these activities."

"9.

"Provided, further, That in addition to fees currently being assessed and collected, the Administration shall charge users of its services, products, and information, fees sufficient to result in an additional \$3,000,000 to be deposited in the General Fund of the Treasury."

22 U.S.C. 2121-2127

22 U.S.C. 2121-2127 provides "That in addition to fees currently being assessed and collected, the Administration shall charge users of its services, products, and information, fees sufficient to result in an additional \$3,000,000, to be deposited in the General fund of the Treasury."

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
CONSULTING AND RELATED SERVICES
(Obligations in thousands)

| | | | |
|--|----------------|------------------|------------------|
| Consulting services..... | 1993
Actual | 1994
Estimate | 1995
Estimate |
| Management and professional services..... | 17 | 0 | 0 |
| Special studies and analysis..... | .. | .. | .. |
| Management and support services for
research and development..... | .. | .. | .. |
| TOTAL..... | 17 | 0 | 0 |

In fiscal years 1993 and 1994, USTTA used the services of consultants to provide expertise for the compilation of required special reports.

Department of Commerce
United States Travel and Tourism Administration

Salaries and Expenses
PERIODICALS, PAMPHLETS, and AUDIOVISUAL PRODUCTS
(Obligations in thousands)

| | 1992
Actual | 1993
Actual | 1994
Estimate | 1995
Estimate |
|--------------------|----------------|----------------|------------------|------------------|
| Periodicals | 0 | 0 | 0 | 0 |
| Pamphlets | 386 | 491 | 324 | 328 |
| Audiovisuals | 0 | 0 | 0 | 0 |
| TOTAL | 386 | 491 | 324 | 328 |

The amounts reflect cost for reprinting and resupplying USTTA regional brochures.

Department of Commerce
United States Travel and Tourism Administration
Salaries and Expenses
AVERAGE GRADE AND SALARIES
(Obligations in thousands)

Direct:

| | 1993
Actual | 1994
Estimate | 1995
Estimate |
|----------------------------|----------------|------------------|------------------|
| Average ES Grade | 3.50 | 3.50 | 3.50 |
| Average GS/GM Grade | 10.55 | 10.62 | 10.70 |
| Average GS/GM Salary | 37,639 | 39,114 | 42,350 |
| Average FS Grade | 1.88 | 1.88 | 1.88 |
| Average FS Salary | 59,394 | 61,105 | 64,789 |

Mr. MORAN. We are going to hear from the very new Under Secretary of Commerce for Travel and Tourism, Mr. Greg Farmer.

We will put Mr. Farmer's biographical sketch into the record, because this is the first time he has testified before the subcommittee.

[The biographical sketch follows:]



UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Travel and Tourism
Washington, D.C. 20230

GREG FARMER

Under Secretary of Commerce for Travel and Tourism

Greg Farmer was confirmed as Under Secretary of Commerce for Travel and Tourism by the U.S. Senate on March 1, 1994. Nominated by President Clinton on November 22, 1993, Under Secretary Farmer, 44, will be responsible for overall policy development and direction of the U.S. Travel and Tourism Administration -- the Nation's official tourism office.

An agency of the U.S. Department of Commerce, USTTA coordinates and negotiates international tourism policy, conducts statistical and market research and directs a dynamic program of tourism trade development. USTTA's programs are designed to support U.S. states, cities, regions and private industry, with special emphasis on small businesses, cultural and ethnic communities and rural areas.

Farmer was previously Secretary of the \$50 million Florida Department of Commerce, responsible for promoting a comprehensive economic development program for the state. In that capacity, Farmer had oversight of international and domestic tourism; international trade; industry development; business assistance; and sports, film and motion picture development. Appointed by Governor Lawton Chiles in 1991, Farmer advised the Governor on all matters affecting Florida's business community and served as a member of the Florida International Affairs Commission.

From 1989 to 1991 Farmer was Director of Governmental Relations for Northern Telecom Inc., responsible for conducting analyses of the impact of public policy decisions affecting taxes, international trade and high technology industry on the telecommunications industry.

Farmer's extensive legislative and political experience includes six years (1982-1988) as Chief of Staff for former Congressman Buddy MacKay; Local Government Liaison for former Governor Bob Graham (1981); Campaign Manager for Buddy MacKay for U.S. Senate 1980; and Executive Director of the Florida Democratic Party (1975-1979).

Farmer is a graduate of Florida International University and earned his master's degree from Florida State University.

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Yours to
Discover*

OVERVIEW OF STATEMENT

Mr. MORAN. Maybe you would like to synopsize your testimony. We will put it in its entirety into the record as well.

Mr. FARMER. Good morning, Mr. Chairman. I will give a brief summary of that testimony.

This is going to be a very exciting year for travel and tourism, and I am excited to come before you today with this budget even though it is, as you say, a slight decrease. As you know, the President announced three weeks ago that we are going to have a White House Conference on Travel and Tourism. I think that is an important announcement because it signifies the importance of our industry.

Just a couple of figures that I would like to share with the committee: In 1993, expenditures for travel and tourism, both domestic and international, were more than \$380 billion. We created over 6 million jobs, and helped offset our Nation's \$60 billion trade deficit. Last year, we had 45.7 million visitors visit the country, spending over \$75 billion.

What it really means, Mr. Chairman, is tourism is the number two employer in America; it is, in fact, by the Year 2000, expected to be the number one employer in America. And as John Naisbitt says in his new book, "Global Paradox," it is expected to be the most important industry of the 21st Century.

I am proud to be here today to represent USTTA, and say that we intend to work in the near future with the private sector and with the States to make changes at USTTA to do an even better job in the future of expanding the market for the United States.

As you know, during the last two years, the U.S. share of international visitors has gone down. That affects jobs, it affects the economy. We take great pride in helping to grow that market very seriously.

[The prepared statement of Mr. Farmer follows:]

PREPARED STATEMENT BY GREG FARMER
UNDER SECRETARY OF COMMERCE FOR TRAVEL AND TOURISM

Before the Subcommittee on
Commerce, Justice, State, the Judiciary and Related Agencies
Committee on Appropriations
House
March 15, 1994

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you to present the United States Travel and Tourism Administration's (USTTA's) budget request of \$17,930,000 for fiscal year 1995.

1994 is shaping up to be a very exciting year for tourism. Several weeks ago President Clinton announced that he will convene a White House Conference on Tourism in late 1995. The President's announcement is a very important symbol demonstrating that this Administration recognizes the need for dramatic change in the way the Federal Government develops and promotes travel and tourism within the United States.

USTTA is charged with serving as the nation's official tourist office, responsible for coordinating cooperative public and private sector international travel promotion efforts, providing objective research statistics, and stimulating travel and tourism development within the United States.

The economic facts of tourism speak for themselves. In 1993, expenditures for travel and tourism, both domestic and international, amounted to more than \$380 billion, accounted for

more than 6 percent of the Gross National Product, directly provided over 6 million jobs, and helped offset our nation's estimated \$60 billion trade deficit.

Last year, 45.7 million international visitors came to the United States and spent nearly \$75 billion. This spending generated an estimated 7.5 billion in tax revenues and supported almost one million jobs in the United States. As a result of these international visitors the United States enjoyed a tourism trade surplus of \$22 billion. In other words, international travel to the United States is one of our largest exports, ranking well ahead of agricultural goods, chemicals, and motor vehicles. It is our largest business service export.

Despite these impressive statistics, many people both in and outside of government question the need for a Federal role in the development and promotion of travel and tourism. I know that I would strike a serious blow to my credibility if I did not admit that at times the manner in which USTTA has fulfilled its mission has given rise to this question.

As someone who has crafted tourism policy at both the Congressional level as an aide to former Congressman Buddy MacKay, and at the Senate level as the State of Florida's Secretary of Commerce, I know first hand that if the job of promoting the United States as a tourist destination were left to

the industry, international visitors would never get beyond a few gateway cities, Disney World, Las Vegas, and Washington, D.C. during the Cherry Blossom Festival.

Many people believe there is nothing USTTA can do that would not be made completely irrelevant by a two-for-one airline deal, or that funding tourism amounts to nothing more than subsidies for the airline and hotel industries. Fresh from the frontlines of tourism, I can assure you that the private sector, by definition, will do only what is in their specific self-interest, without regard for growing the market for every community.

Ensuring that every community has the ability to leverage its tourism resources for economic and community development is the basis for USTTA's decision to place special emphasis on rural development, cultural and ethnic communities and support for small businesses.

All of these are undervalued segments not only in the tourism sector, but in the national economy. If, however, we are to build a strong, vital, and competitive economy, the Federal Government must ensure that every segment of the economy has the resources to reach full productivity. As John Naisbitt noted in his most recent book The Global Paradox, "the bigger the world economy, the more powerful its smallest players."

USTTA is uniquely equipped to assist these small players through

regional, state, and local tourism market planning and product development seminars; marketing international events held in U.S. communities, and providing technical assistance and support for their marketing efforts.

I believe that USTTA has an unparalleled role to play not only in assisting rural, ethnic, and cultural communities, but every community. USTTA must be the honest broker, leveraging money from a fragmented and diverse industry to fulfill the needs of state and municipal programs. USTTA has developed numerous public-private partnerships with the industry consisting of targeted, cooperative marketing programs. In FY 1993, USTTA has over 8,000 partnership arrangements in its cooperative promotional programs abroad.

Industry partners have invested nearly \$20 million into these cooperative programs. Without USTTA's leadership, state and local tourism authorities would not have been able to spend their marketing resources as effectively in the keenly competitive international marketplace.

As I have criss-crossed the country attending state tourism conferences, tourism leaders in many of the communities that have benefited from these cooperative programs have told me that they would not be able to continue these programs without USTTA's support--especially from our international offices.

While I laud such programs, I also recognize that I cannot launch new and innovative programs at USTTA until we have put our house in order. My attendance at the state tourism conferences has also given me the opportunity to learn from our customers, the American taxpayer, how USTTA is perceived by those on the frontlines of tourism, which programs need to be revamped, which programs are not working, and why.

I am excited by the challenges presented to USTTA and the tourism sector of the economy and look forward to working with all of you to ensure that the United States remains a tourism powerhouse. I think it is significant to point out that as the world has struggled with an economic recession, the international travel and tourism market continues to flourish. We cannot assume that our own market will continue to magically show strong growth without the support and assistance of USTTA, while other countries are aggressively building their own national tourist offices and promoting their own markets.

Tourism is an integral component of our national economy. Funding USTTA is an investment in local jobs, local economic development and the economic viability of every community in the nation.

Mr. Chairman, that concludes my statement. I would be pleased to answer the Subcommittee's questions.

Mr. MORAN. Nice going. Boy, that was quick. He gets points for that.

Gosh, now I don't feel fair in asking any tough questions. Do we have any softball questions?

FEDERAL ROLE IN TOURISM

I know all of those statistics are very fine, and I am sure, accurate; but the real question is, what does USTTA have to do with any of that?

Most of that is a result of what is offered here by word of mouth, and in many ways, the customs of traveling here, as well as the very substantial advertising budgets that resort communities, hotels and some restaurant associations, convention centers and all of the conferences, and so on, that take place here. That kind of advertising, that private sector advertising.

What I want to determine is, where do you fit? Is there any essential niche where none of those figures would be as high as they are, any of them would be affected if the U.S. Travel and Tourism Administration was nonexistent?

I think that is what we need to focus on, not how important travel and tourism is, but what the Federal government has to do with it. And maybe you want to just sort of comment about that?

Mr. FARMER. Sure. I would be delighted to.

Mr. Chairman, you are right, there is a lot of impact by things which we have very little control over that determine the amount of travel that comes to the United States. However, there is a legitimate Federal role and there is a reason why virtually every country in the world has a National tourism office. That Federal role does several things:

Number one, we do research that virtually no private sector entity does. That research helps the private sector, but it also helps States and small companies that can't afford it themselves, to break into markets they otherwise couldn't break into. Our international offices provide the infrastructure for States and for smaller companies to break into international markets, if research has indicated that they have a potential growth there which they otherwise might not know about.

Furthermore, one of the roles we play is we negotiate to bring down barriers with other countries to increase the number of international visitors that come to our country. As you know, dealing country with country, there is a role that government plays that the private sector just simply can't fill.

Now, I will be honest with you, Mr. Chairman. I do believe that we need to take a hard look at our activities, to make them more modern and more efficient. So I have asked the States and the private sector to work with us in a review of everything we do and come up with specific recommendations, with a new structure possibly in the future to do a better job.

But I think in the area of research, certainly in the area of emerging markets, but in some cases, mature markets, there is a role that the USTTA infrastructure serves. If it went away tomorrow, it is true that the really big players would go on without a significant decline in business. But a lot of small- and medium-sized communities and lesser-known products and destinations

would never have a chance to grow in the international market as they would if we in fact did our job.

TPCC RECOMMENDATIONS

Mr. MORAN. Is some of this recommended by the Trade Promotion Coordinating Committee?

Mr. FARMER. Yes, sir. As a matter of fact, we have been involved with our own TPCC process, which is akin to that. One of the surprising things to me was to find out that currently some 20 Federal agencies and 40 bureaus have some role in our travel and tourism activities. So we are trying to bring into focus what the Federal government should be doing by first inventorying what was being done out there.

Our second step after inventorying, once we found out all of the activities, was to ask our customers what they thought of those services, if they were even aware of them and if they used them, and if so, what they thought of them, and finally to come up with specific changes in the framework from all of the agencies so that we make sure the taxpayers get the maximum bang for their dollar. The net result of this would be providing services better to grow our international share of the marketplace.

AUTHORIZING COMMITTEES

Mr. MORAN. What do the authorizing committees think about what you are doing? Have they suggested any change in focus that would be of interest?

Mr. FARMER. Well, individual Members of the committees and some of their staffs have for some time talked about a grant program. As you know, there is currently a restriction on using funds for a grant program that would in fact help develop some of the products out there.

What I have said to the authorizing committees is, just as we are not asking for any more dollars, we are not asking for any new authority right now either. We do want to get with the States, the private sector and the Hill to take a hard look at what we do as an agency and come up with specific recommendations as to where we should go in the future. But some of the various product development which they are talking about us working with States on developing, is multicultural tourism, eco-tourism, and rural tourism.

Of course, there are developments very near here which would fit nicely into this, with some of the development building on the history of our country. So there are all kinds of opportunities out there which individual Members have an interest in.

I think, generally speaking, however, the authorizing committee of the Senate feels very good about where we are heading as an agency, and the authorizing committee in the House is going to withhold criticism until we have had a chance to evaluate and make specific recommendations.

Mr. MORAN. Okay.

WHITE HOUSE CONFERENCE ON TOURISM

You alluded to the White House Conference on Tourism in your statement.

Mr. FARMER. Yes, sir.

Mr. MORAN. How much is that going to cost? Is this a new precedent?

Mr. FARMER. Yes, sir.

Mr. MORAN. There has never been one before?

Mr. FARMER. That is right. We do not have a budget at this point in time. That is being worked out between OMB, the White House and the various agencies involved in the conference. Although I am not sure of this, I do not believe we will be asking for additional funding. One of the things that we want to do is to use this as an opportunity to articulate the significance of the industry, and in fact to articulate the appropriate Federal role in the promotion of tourism. So it is a very significant activity.

As you know, Mr. Chairman, the industry has traditionally been a very fragmented industry, with many different voices and disagreements as to its economic significance. Now, I think we have an opportunity to bring them together in an industry, State and Federal function, such as this activity will incorporate, which would give us a chance to develop the policies and directions for the future so that we really do grow the kind of jobs we want to grow.

QUALITY OF TOURISM JOBS

Mr. MORAN. Well, in keeping with what President Clinton and Secretary Reich have been talking about in the last few days, we also look at pay level and skill level; in other words, the quality of jobs that are being created. The travel and tourism industry tends to create relatively low-skill, low-paying jobs. Do we see any change in that trend?

Mr. FARMER. I am awfully glad you asked that question, Mr. Chairman, because the TTIA, the Tourism and Travel Industry of America, has just done a study that shows that because of the growth in the manufacturing sector and the compensation has been so modest over the last 10 years, where the growth in our industry has been so significant, the trend lines have changed, and now, in fact, jobs in our industry pay the average of other jobs in the private sector, with our trend line going up.

The other good news the study showed was that there are advancement opportunities for what is viewed historically as more difficult job entrant ethnic and gender categories. And so what we see is not only the creation of a great number of jobs, but good-paying jobs and the chance of advancement for traditionally difficult to employ ethnic and gender groups.

So you have a combination of all of the variables that we are trying to address as an Administration in the tourism and travel related area. In fact not only are those jobs being created, but now the better-paying jobs are being created. So it is really a win-win situation for our country.

MIDWEST FLOOD TOURISM GRANTS

Mr. MORAN. Well, it certainly sounds good.

Your agency was mentioned during the discussion yesterday with Economic Development Administration. Specifically we talked about the urgent supplemental for the Midwest flooding, and it

turns out that some of that money was sent over to you for travel and tourism. Is that a justifiable urgent supplemental expenditure; and what did you spend it on?

Mr. FARMER. We spent it on grants to States to do marketing to get back some of the business they have lost. I think it is not only justified, I think it is a brilliant strategy to be looking ahead as to where the economy is going.

The travel and tourism industry is what is creating the jobs, keeping people employed and generating the taxes for communities. And to put a little bit of money there has a credible multiplier return on it.

The other opportunity that this gave us was an opportunity to work as a region—to take those States together and give them their individual grants, but also to put together a marketing plan in conjunction with them at the table, that will market the region to say to the world that, yes, we had a flood; we are now open and we are a wonderful place to visit.

I can tell you, Mr. Chairman, from my experiences after Hurricane Andrew in Florida, that international visitors thought the whole State was wrecked. I got calls in Tallahassee, Florida, asking if it was safe to come there, when the hurricane was in south Dade, which is an incredible distance. But from an international perception, without a prior knowledge of an area, people draw conclusions that aren't valid.

So I think it was an excellent expenditure and I think it was justified, and I am just told we have not yet awarded the grants, but we will in an expeditious fashion.

Mr. MORAN. Well, that was the problem with EDA, that they really only spent a few million of the \$200 million total that was available, and you have to question how urgent was the supplemental. And that applies to you as well.

But let's focus on the positive. This was a pretty good hearing. We think we have got some fine leadership in U.S. Travel and Tourism Administration. Either way, it is not going to break the budget.

We appreciate you coming to testify.

Mr. FARMER. Thank you, Mr. Chairman.

Mr. MORAN. And good luck.

Mr. FARMER. Thanks. Thank you very much.

[The following questions were submitted to be answered for the record:]

Questions Submitted by Congressman Smith

Regional Offices

QUESTION:

Last fall, the U.S. Travel and Tourism Administration (USTTA) submitted to Congress a report on its regional offices located in overseas markets and in Miami. What has been the reaction of your authorizing committees to this report?

ANSWER:

We have briefed the authorizing committees and received indications of support from them, but no specifics in response to the regional office study.

QUESTION:

Are you proposing any changes to your regional structure as a result of this report? Please provide specific information.

ANSWER:

USTTA is awaiting response from members of the House and Senate Committees who have up to six months from the date the report was due on October 1, 1993 until April 1, 1994 to comment on the report.

In the meantime, USTTA is in the process of evaluating the impact of the study's recommendations as well as the current allocation of personnel and financial resources allocated to the markets with the greatest tourism potential. Upon completion of this evaluation, any recommended changes in regional office structure or reallocation of resources will be presented to the Secretary of Commerce, Office of Management and Budget, and Congress for review and concurrence before being implemented.

QUESTION:

Will there be any budgetary costs or savings generated by these changes in your regional office structure? If so, please provide more details.

ANSWER:

The FY 1995 budget request and the changes recommended in the Regional Office Study indicate that the proposed changes, if acceptable to the Administration and Congress, will enable USTTA to allocate personnel and funding to other markets with higher tourism generating potential. When USTTA's final recommendations are submitted,

additional cost analysis covering the reallocation of resources will be included.

QUESTION:

Who was responsible for conducting the review of regional USTTA office operations? Was the work done primarily in-house, or was there objective outside participation in the review?

ANSWER:

The Department of Commerce's Office of Management and Organization was responsible for conducting the review of USTTA regional operations. The review included extensive industry input including: interviews with USTTA customers (states, cities, hotels, rental car companies, and airlines), interviews with members of the Travel Industry Association; and input from members of the Department of Commerce Travel and Tourism Advisory Board. In-house work included facilitating meetings of the USTTA Regional Directors, USTTA customers, and convention and visitor bureaus.

White House Conference on Tourism

QUESTION:

In your testimony, you note that President Clinton announced a White House Conference on Tourism for late 1995. What are the goals of this Conference? Will this be the first time a White House Conference on Small Business has been convened?

ANSWER:

The goals of the White House Conference are to:

- o identify ways to enhance tourism's potential to create jobs, stimulate growth and generate tax revenue;
- o focus attention on a critical, undervalued sector of our nation's economy;
- o identify a means for coordinating regulations and programs among the various Federal agencies involved in travel and tourism;
- o identify problems unique to the tourism sector and explore ways to address those problems; and
- o do the above through a broad-based process involving grass-roots, and state participation

from government and the private sector culminating in a national conference to make recommendations to the President and Congress.

There have been White House Conferences on Small Business held before. However, this is the first White House Conference that has ever been held specifically on tourism.

QUESTION:

What are the anticipated costs associated with setting up this conference?

ANSWER:

White House Conference plans are still being developed, but the anticipated total cost is approximately \$2.5 million.

QUESTION:

Are you including funds for the White House Conference in your budget request? If not, how will the Conference be funded?

ANSWER:

USTTA's budget request will not include specific funds for the White House Conference on Tourism. Planning is still underway for resources and is expected to include public-private partnership funding to carry out this project.

Trade Promotion Coordinating Committee

QUESTION:

Could you summarize for us the specific recommendations relating to USTTA made by the Trade Promotion Coordinating Committee (TPCC)? How are these recommendations reflected in this budget request?

ANSWER:

Tourism was not considered by the TPCC in its deliberations; therefore, not used in the formulation of the FY 1995 request. Instead, the Tourism Policy Council (TPC) is creating a national tourism development strategy which is looking at all Federal policies, programs, and activities that must be considered together in order to most effectively support the U.S. tourism industry. USTTA is leading these efforts.

The strategy will address ways to improve Federal policies, programs, and activities so that they are more responsive to national tourism needs and are more integrative and less duplicative. Tourism development includes not only tourism promotion, but also research, barrier reduction,

facilitation, training, infrastructure development, product development, environmental concerns, and safety and security.

Studies Required by International Travel Act

QUESTION:

Your recent reauthorization legislation required USTTA to perform several short term studies, including the report on regional office operations discussed earlier. What other studies were required by the International Travel Act, and what is the status of those studies?

ANSWER:

A report on recommendations to eliminate significant barriers by other countries to U.S. travel and tourism exports is required by Section 11 of the Act. This will be based on an inventory of significant barriers remaining after GATTS is implemented. Analysis of impact of remaining barriers will be made on completion of that inventory. The report is scheduled to be submitted by October 1, 1994.

A report evaluating the effectiveness of recommended actions to eliminate significant barriers to U.S. travel and tourism exports is also due under Section 11 of the Act. Work to eliminate these barriers is expected to take place in Fiscal Years 1994 and 1995, in conjunction with the Office of the U.S. Trade Representative. A report is scheduled to be submitted by December 31, 1995.

USTTA was requested in Section 18 of the Act to provide a report on the status of the actions required in Section 3 entitled: "Survey of International Air Travelers" and the feasibility of publishing international travel receipts and payments on a monthly basis. USTTA has worked with other Commerce agencies, the governments of Canada and Mexico, and other U.S. Federal Government agencies on these items and is in the process of preparing a report on those requirements. USTTA anticipates a status report by March 31, 1994 or shortly thereafter.

Under Section 18, the Act also called for submission of a report regarding the inbound and outbound tourism trade between the United States and emerging democracies of Eastern Europe and the former Soviet Union. This report is anticipated to be submitted by March 31, 1994 or soon thereafter.

USTTA is also required under Section 18, to submit a report on the activities of the Department of Commerce and other Federal agencies which increase tourism opportunities for and encourage travel by disabled persons. The report is

anticipated to be submitted by March 31, 1994 or soon thereafter.

Section 18 of the Act also called for a report on efforts undertaken to improve visitor facilitation and the effect on U.S. travel and tourism as a result of those improvements. The report is also anticipated to be submitted by March 31, 1994 or soon thereafter.

Section 11 of the Tourism Policy and Export Promotion Act required submission of two reports specifically relating to the financial assistance program. The first, due on October 1, 1994, called for a report on projected performance goals of the program, and the second, due December 31, 1995, was to outline the degree of goal attainment. Based on the unfunded status of the program, these two reports will not be submitted.

QUESTION:

Does the funding requested in FY 1995 include the costs associated with conducting these studies?

ANSWER:

Yes, the studies are to be performed in-house by existing personnel whose costs are included in the budget request for FY 1995.

QUESTION:

How much was spent on conducting these studies in FY 1993 and what are the estimated expenditures by study for FY 1994 and 1995?

ANSWER:

The Field Office report submitted in FY 1993, was conducted by the Office of the Secretary, Department of Commerce using in-house personnel. The additional studies required by USTTA in FY 1994 are estimated to require resources (staff time) of \$63 thousand and in FY 1995 costs are anticipated to be \$13 thousand.

Fee for USTTA Services

QUESTION:

For the past two fiscal years, the Congress has included language in the USTTA appropriations act allowing you to collect an additional \$3 million in fees for services. What is the status of the fee collection?

ANSWER:

USTTA has explored a number of possible options for collecting additional fees for services but to date none have been implemented.

QUESTION:

How much was collected in FY 1993, and what is your estimate for the total amount to be collected through the remainder of this fiscal year?

ANSWER:

No funds were collected in FY 1993 and none are estimated to be collected through the remainder of the Fiscal Year.

Rural Tourism Development Foundation

Question:

What is the status of the Regional Tourism Development Foundation? What activities is the Foundation carrying out, and what are some of the specific accomplishments of the Foundation to date?

ANSWER:

Members of the Board of Directors for Rural Tourism Foundation were named in January 1993. Its members have held quarterly meetings since then. The Board has looked at on-going Federal activities to develop and promote rural tourism with the view of working with those agencies and not to duplicate their activities. The Board has also begun to solicit funds for activities to be sponsored by the Foundation.

Once funding is available, they will begin sponsoring activities to develop and promote rural tourism, in concert with both the public and private sectors.

For example, the Foundation will co-host "The National Conference on Tourism Development" in cooperation with USTTA and the National Association of State Development Agencies (NASDA) on May 9-11, 1994.

QUESTION:

Has USTTA done any research on changing trends in international tourism to rural areas over the past 2 to 3 years? If so, please elaborate on the findings of that research.

ANSWER:

USTTA has not implemented a specific research project on changing trends in international tourism to rural areas over the past 2 to 3 years. USTTA does, however, have existing research data that can be analyzed to help determine trends for international tourism to rural America.

Organizational Changes

QUESTION:

Mr. Farmer, now that you have been confirmed as Under Secretary, what (if any) organizational changes do you intend to make at USTTA, and what will be the timing of any changes?

ANSWER:

Any organizational changes will be determined within the coming months and would be forwarded to the subcommittee at that time.

QUESTION:

Does this budget request reflect any changes to USTTA's organizational structure in FY 1995?

ANSWER:

The FY 1995 President's budget does not include any changes to USTTA's organizational structure in FY 1995.

Disaster Relief Grants

QUESTION:

Please update the Committee on the status of tourism disaster assistance grants. What additional grants have you made since the hearing last year?

ANSWER:

Since the hearing last year, financial assistance has been awarded to the Greater New Orleans Tourist and Convention Commission; Greater Miami Convention and Visitors Bureau; Kauai Economic Development Board; Guam Visitors Bureau; and the State of Hawaii under funds made available to USTTA for the areas affected by Hurricanes Andrew and Iniki and Typhoon Omar.

Recently, an additional \$1.4 million was released and will be made available on a competitive basis to these same areas. The notice announcing the availability of these

funds is in the final review stage prior to publication in the Federal Register.

QUESTION:

Has USTTA had a role in the tourism recovery efforts related to the Mid-West flood emergency and the recent earthquake in Los Angeles? What level of resources has been devoted to these emergencies?

ANSWER:

Yes, USTTA is in the process of responding to the tourism promotion needs of the Mid-West with emergency supplemental funds from the Economic Development Administration. A total of \$3.5 million more was made available for this purpose. At this time, USTTA has not received additional resources to fund disaster assistance in Los Angeles as a result of the recent earthquake.

QUESTION:

There is no current authorization for the disaster assistance program under USTTA. Mr. Farmer, do you feel that this program should be reauthorized? What do you consider to be the ideal role for USTTA in responding to these types of emergencies?

ANSWER:

Though USTTA does not have current authorization for the disaster program, funds transferred to USTTA for this purpose were authorized under emergency supplementals and appropriated to the Economic Development Administration (EDA). EDA has the authority, under the Public Works and Economic Development Act of 1965 (PWEDA) to transfer funds to other agencies to carry out similar missions of economic development. Development of travel and tourism to an area is a long-term and costly effort, requiring investment by many industry partners. This investment can be totally lost when disaster occurs and consumer and trade confidence in the product is impaired. Often media coverage only addresses the loss and does not report restoration. Therefore, it is imperative that an area that relies heavily on tourism for economic prosperity (and many states do), be able to respond immediately and with increased intensity to preclude any trade actions that may increase losses.

It is my opinion that the USTTA is the proper vehicle for administering any disaster relief program relating to travel and tourism. The agency understands the tourism industry, has the international mechanism in place to support state and local efforts, and can provide market intelligence relating to real-time opportunities that exist for restoration of visitation.

Unfortunately, there is no standard pattern that would fit every disaster. In some cases, the primary market of opportunity is international, in others it is domestic. The program, as currently conducted, has been well-received and extremely successful.

In-Flight Survey

QUESTION:

What changes, if any, are you proposing in the In-Flight Survey of international travellers? What is the reason for these changes?

ANSWER:

USTTA has made several improvements to the In-Flight Survey. The number of airlines participating in the survey has increased every year since 1988. This will help improve world coverage. Several initiatives have been implemented to improve the methodology based upon public/private partnerships that are being formed to improve the communication, training and liaison activities to enhance cooperation with participating air carriers. The improvement to sampling procedures is implemented on a airline specific basis. There are specific line item options written for the existing In-Flight Survey contract accomplished each of the items in section three. The last part of section three is to "provide for the continuation of needed data bases. These data bases include: the U.S. Department of Transportation for INS I-92 data issued in a report called the "U.S. International Air Travel Statistics," and the Immigration and Naturalization Service I-94 non-immigrant arrivals data base.

QUESTION:

How will these changes improve the information gathered by the survey, and what is the total cost of this survey, and what agencies or organizations will cover the remaining costs?

ANSWER:

In FY 1995 the total cost of the survey is estimated at just over \$900,000. The USTTA share of this cost is \$697,000 with \$209,000 from private/public participation.

QUESTION:

How is the data from this survey used, who are the primary users, and are any fees generated by this survey?

ANSWER:

This data is used for a variety of purposes. The survey meets the needs of many of the travel industry partners USTTA works with in marketing, policy, and research. For many of the uses described, this survey is the only source for this type of information. The primary users of the data collected in the In-Flight Survey (IFS) are state travel offices, city convention and visitor's bureaus, attractions, airlines, airport authorities, hotels, consultants, and the public sector. Below is a description of some of the uses of the data by these groups.

Government: The Bureau of Economic Analysis (BEA) uses the data for determining the travel trade balance; travel receipts and payments are calculated using the data collected from the IFS. The Department of Transportation (DOT) has used the data in a limited fashion for international route cases. The Immigration and Naturalization Service (INS) and Customs can use the data to track the performance of their inspectors and improve the services they provide to the international traveler.

Destinations: States, cities, and other destinations use the data to profile the international traveler visiting their particular destinations. This data, supplemented with other data, allows them to more efficiently use their limited resources to effectively promote their destinations in the international marketplace. Other uses by these groups include: determination of length of stay at destinations; analysis on who visits the destinations; market share; marketing and planning information; and numbers of travelers who visit, including their residence and destination visited.

Airlines: Airlines use the data for route planning; service ratings, marketing and planning information; competitive analysis; profiles of airline-specific passengers compared with the aggregate; interline analysis; fleet evaluation; origin and destination analysis.

Airports: Airports use the data for flow analysis; geographic location of visitors using the airports; ratings of airport attributes; profiles of travelers using a given airport; and competitive analysis.

Lodging: The lodging industry uses the data to develop a profile of travelers using hotels; residence of travelers using a particular type of lodging; market share of international visitors; traveler characteristics; number of room nights; marketing and planning information; and destination information.

There are fees generated from sales of the IFS data. The data is available and sold in a variety of ways. The two basic forms are hard copy reports of the standard data

(national and country reports) and special computer runs (in hard copy reports or computer diskette/tape). Fees for these depend on the type of report/data purchased and the prices range from \$225 for a standard report up to \$50,000+ for the purchase of the data base; the average cost of a special run is \$1,000.

Request to OMB

QUESTION:

What was the request to OMB for the USTTA, what specific items were not funded, and what will be the impact of any funding cuts on USTTA's ongoing programs?

ANSWER:

The USTTA request to OMB was for \$29,269,000. This amount at the time reflected the President's FY 1994 request including \$4,702,000 for financial assistance to the states.

Above that were program increases as follows:

| <u>Item</u> | <u>FTE</u> | <u>Amount</u> |
|--|------------|----------------|
| Financial Assistance Program | 0 | \$1,692,000 |
| Outreach Program | 9 | 3,100,000 |
| 2 new Regional Offices in
South America and Korea | 5 | 712,000 |
| In-Flight Survey Improvements | <u>1</u> | <u>500,000</u> |
| | 15 | \$6,004,000 |

Any funding cuts in USTTA's ongoing programs will hurt our ability to attract private and public sector partners to USTTA's cooperative marketing programs because we generally participate with 20 to 25 percent of the funding with the partners providing the balance of the funding.

Questions Submitted by Congressman Rogers

Rural Activities

QUESTION:

Your statement mentioned that USTTA plans to place special emphasis on rural development, cultural and ethnic communities and support for small business.

I am particularly pleased that you are planning to emphasize rural communities.

Please elaborate more specifically on your initiatives for each of these areas -- rural development, ethnic and cultural development, and small business.

How much of your budget request is devoted to each of these activities?

Are other agencies, such as the Minority Business Development Agency and the Small Business Administration, conducting similar activities? Do you know what level of funding each are providing? How are you avoiding duplication?

ANSWER:

USTTA will co-host "The National Conference on Tourism Development" in cooperation with the National Association of State Development Agencies (NASDA) and the National Rural Tourism Foundation on May 9-11, 1994 in Washington, D.C. Special emphasis will be placed on rural tourism development. This is USTTA's third national conference promoting the use of rural tourism development as an economic development tool. Funding for this conference will be from registration fees and sponsorships.

USTTA has also provided speakers for various forums to educate rural areas on the opportunities for tourism development. Examples include: Congressional workshops, such as Rep. Blanch Lambert's Rural Conference in Arkansas and Rep. McCreery's Retirement Destination Seminar in Louisiana. USTTA also provides, upon request, resource materials for communities.

On June 9-11, 1994, USTTA and the Minority Business Development Administration (MBDA) of the Department of Commerce will host a National Multi-Cultural Conference. Specific workshops are being developed to provide tourism training to African-Americans, Asian-Americans, Hispanic-Americans, and Native Americans.

Video presentations and workbooks for each ethnic group are being developed. This initiative is being funded by MBDA,

with private and public funds to cover the conference expenses.

As follow-up to this Conference, USTTA and MBDA will plan a series of ethnic and site-specific workshops to provide an assistance and education to communities and regions. Approximately \$96,000 will be required for this initiative and will be provided by MBDA.

The majority of participants will be minority-owned, small businesses, as well as state travel directors, community leaders, and entrepreneurs.

USTTA is working in cooperation with other Federal agencies on this initiative. However, USTTA is not aware of any SBA activities in rural or multi-cultural tourism at this time.

QUESTION:

The 1992 authorization statute created the Rural Tourism Development Foundation.

What is the status of the Foundation?

Where is it located?

What activities has the Foundation been involved in, what have been some of its accomplishments, and what are your plans for the Foundation?

What level of funding does your request support for the Foundation?

ANSWER:

Members of the Board of Directors for the Rural Tourism Development Foundation were named in January 1993. Since then, its members have held quarterly meetings. The Board has looked at on-going Federal activities to develop and promote rural tourism with the view of working with these agencies and not to duplicate their activities. The Board has also begun to solicit funds for activities to be sponsored by the Foundation.

USTTA's budget request for FY 1995 does not request any funding for the Foundation. Once the Foundation has sufficient funding to develop and sponsor programs and activities, USTTA will work with the Foundation where possible to help the Foundation meet its goals.

The Board meets around the country where its Board members are located. The administrative work is done from the office of Dr. Patrick Long, Chairman of the Board, at the University of Colorado at Boulder.

Regional Offices

QUESTION:

USTTA has 9 overseas offices, and a domestic office in Miami.

A USTTA study of the regional office structure released last September recommended changes in the regional office structure -- including reduction in the number of offices, and changes in location of the offices.

What are your plans to implement the recommendations in the study?

Does your budget reflect any changes in the regional office structure -- such as closing or relocation of unnecessary offices?

ANSWER:

USTTA is awaiting action from members of the House and Senate committees who have up to six months from the date the report was due on October 1, 1993 until April 1, 1994 to comment on this report.

In the meantime, USTTA is in the process of evaluating the impact of the study's recommendation as well as the current allocation of personnel and financial resources allocated to the markets with the greatest tourism potential. Upon completion of this evaluation any recommended changes in regional office structure or reallocation of resources will be presented to the Secretary of Commerce, OMB and Congress for review and concurrence before being implemented.

The FY 1995 budget does not reflect any changes in the regional office structure since the Regional Office study recommendations were still subject to review by Congress up to April 1, 1994. USTTA is in the process of evaluating the impact of the study's recommendations as well as the current allocation of personnel and financial resources allocated to the markets with the greatest tourism potential. Upon completion of this evaluation, any recommended changes in regional office structure or reallocation of resources will be presented to the Secretary of Commerce, Office of Management and Budget, and Congress for review and concurrence before being implemented.

QUESTION:

The U.S. and Foreign Commercial Service is the primary agency for U.S. trade development.

As USTTA's own study indicates, in countries where USTTA lacks a regional office, the U.S. and Foreign Commercial Service conducts travel promotion activities.

With a much larger network of overseas offices, why can't US & FSC represent U.S. tourism interests overseas, freeing up USTTA funds that are currently being used to operate overseas offices support other purposes?

ANSWER:

The allocation of resources in the 9 countries where USTTA has a physical presence represents the percent of arrivals and percent of travel receipts to the United States. If FCS were to assume the program implementation responsibilities and provide the technical assistance required by tourism related public and private sector constituents, they would still have to seek increases in office facilities, funding and personnel to implement the current USTTA program activities carried out in each market.

Tourism Policy Council

QUESTION:

It is my understanding the Department of Commerce reestablished the Tourism Policy Council.

It is my understanding that this Council is working to develop a national tourism strategy and coordinate the efforts of more than twenty agencies involved in tourism activities.

What agencies are involved in this Council?

I believe your first report is due this month -- has the report been completed, and can you tell us some of its findings?

ANSWER:

The Tourism Policy Council was established in 1981 by the National Tourism Policy Act of 1981 to coordinate Federal policies, programs, and activities related to tourism, recreation, and national heritage resources. Vice President Gore's National Performance Review Report recommended that the Council be revitalized and strengthened. As a result, the Council, Under Secretary Brown, has begun to create a national tourism development strategy to produce a more responsive and coordinated Federal approach to tourism development. The Council will develop ways to coordinate the tourism activities of all Federal agencies. Working Group input is to be the basis of a report from the Council. The Council will submit its final report to the Vice President at the end of May.

As the Tourism Policy Council was established by law, it is not our intent to re-establish, but rather to re-invigorate and broaden the policy objectives of the Council.

The Council, which is chaired by the Secretary of Commerce includes representation from the following departments or agencies:

- United States Travel and Tourism Administration
- Vice Chair
- International Trade Administration
- Department of Energy
- Department of Interior
- Department of Labor
- Department of State
- Department of Transportation
- Department of Agriculture
- Tennessee Valley Authority
- Army Corps of Engineers
- Small Business Administration
- Immigration and Naturalization Service
- National Railroad Passenger Corporation
- Bureau of Customs

At the present time, three working groups comprised of representatives from the above noted departments and agencies and other interested parties are in the process of developing input for consideration by the Council. The Council's final report is due for delivery in late May.

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